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Canada. Statistics  
Operating results of Independent  
drug stores in Canada.

1938-65









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DEPT. OF POLITICAL SCIENCE  
UNIVERSITY OF TORONTO

C A N A D A

DOMINION BUREAU OF STATISTICS

CENSUS OF MERCHANDISING AND SERVICE ESTABLISHMENTS

OPERATING RESULTS

OF

INDEPENDENT DRUG STORES

IN CANADA

1938

Drug stores (independent) operating  
results

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Published by Authority of the HON. W.D. EULER, M.P.,  
Minister of Trade and Commerce.

+ + +

OTTAWA

1939

Price 15 cents



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DEPARTMENT OF TRADE AND COMMERCE  
DOMINION BUREAU OF STATISTICS  
INTERNAL TRADE BRANCH  
OTTAWA, CANADA

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CENSUS OF MERCHANDISING AND SERVICE ESTABLISHMENTS

Operating Results of Independent Retail Drug Stores in Canada, 1938

Introduction

This report is one of a series presenting average operating results in various branches of retail trade in Canada in 1938. The basic data from which the report was compiled were secured in connection with the annual survey of retail trade, conducted by the Internal Trade Branch of the Dominion Bureau of Statistics and designed primarily to provide information regarding annual trends in various kinds of business in the several provinces.

Complete statistics on retail trading are available only for the year 1930 as a result of the Census of Merchandising and Service Establishments which was taken in connection with the last Decennial Census. There were 3,559 drug stores in Canada in the Census year while approximately 1,500 drug stores report to the annual survey of retail trade. But many of these firms, while able to report general information such as total sales, payrolls, inventories and accounts receivable, are unable to furnish an analysis of their operating expenses. Returns from 370 firms were used in the preparation of this bulletin. The present report represents the first attempt of the Bureau of Statistics to provide an analysis of operating results for the retail trade. Such an undertaking is rendered difficult on account of the lack of uniformity among retail firms in classifying and recording expense data. For this reason the figures published here must be considered as indicators of general relationships rather than as material the absolute accuracy of which can be guaranteed.

Summary of Results

The underlying trend in retail drug store sales was maintained at a uniform level throughout 1937 and 1938, annual sales for the latter year for the country as a whole declining by less than one per cent from the earlier period. Results on a regional basis indicate gains in the Prairie Provinces and minor losses in other regions. Alberta sales were up 6 per cent while Manitoba and Saskatchewan reported increases of 2 per cent and 1 per cent respectively. Sales in British Columbia and Quebec were off by 1 per cent; Ontario sales declined 2 per cent while in the Maritime Provinces a reduction of 3 per cent in dollar volume was recorded.

Analysis of operating results for 1938 for the 370 independent drug stores furnishing detailed figures and included in this survey reveals an average net operating profit of 2.2 per cent of sales after making provision for an imputed value of proprietors' services but before making provision for any interest payment on own capital investment. Gross margin or profit averaged 29.8 per cent of sales while operating expenses totalled 27.6 per cent of sales. Stocks were turned on an average of two and one-half times during the year or approximately once every five months.

Of the 370 stores included in the survey, 232 or 63 per cent secured a profit on the year's operations after making allowance for an imputed value of proprietors' services while 138 stores or 37 per cent of the total operated at a loss. The profitable firms had a higher gross margin, higher rate of stock-turn and lower operating expenses both in





total and for each of the individual expense items reported than had the unprofitable firms. The 232 profitable firms operated on a gross margin of 30.6 per cent of sales, had operating expenses of 26.3 per cent of sales resulting in a net profit of 4.3 per cent and turned their stocks on an average of 2.6 times during the year. The unprofitable firms operated on an average gross margin of 28.0 per cent of sales, had operating expenses of 30.2 per cent resulting in a net loss of 2.2 per cent of sales. These firms turned their stocks 2.3 times during the year.

The proportions of profitable and unprofitable firms varied considerably for various sizes of business and for different regions of the country. The survey includes no stores with annual sales below \$10,000. Stores with annual sales between \$10,000 and \$20,000 were equally divided as between profitable and unprofitable businesses. Profitable firms outnumbered unprofitable firms 2 to 1 in the \$20,000 to \$30,000 class while larger stores reported an even higher proportion of profitable businesses. Of the 122 stores reporting and having annual sales of \$30,000 or more, 86 operated at a profit while 36 operated at a loss.

When the sample is classified geographically it is found that the proportion of profitable to total stores ranged from 45 per cent in Manitoba to 71 per cent in Alberta. The proportion of profitable to total stores reporting was 59 per cent for the Prairie Provinces as a whole, 70 per cent for British Columbia, 65 per cent for Ontario, 61 per cent for Quebec, and 62 per cent for the Maritime Provinces. Interpretation of these regional differences should normally be made in the light of differences in average sales per store in the various provinces. Annual sales per store averaged approximately \$31,000 in Ontario and Manitoba and ranged within narrow limits of \$25,000 for each of the other provinces.

#### General Operating Expense Analysis

In addition to reporting total expense figures each firm was asked to give a breakdown of its expenses into thirteen different items. Payroll constitutes more than half the total operating expenses of drug stores, the amount computed for this item forming 16.9 per cent of annual sales. Included in the payroll data are salaries and wages of employees and an estimated value for the services of those proprietors who devoted the major portion of their time to their retail business. The amounts attributed to these proprietors were obtained in the following way: The expense schedule asked that the number and salaries of proprietors receiving a stated salary be reported. It also asked for the number of proprietors who did not draw a stated salary but whose remuneration consisted only of profits secured from the year's operations. The returns of those firms reporting proprietors' salaries were used in arriving at an average salary per proprietor for stores in different size classes. These averages were then assigned to all proprietors in each size class irrespective of whether or not stated salaries were reported. This practice leads to the classification as unprofitable of some returns whose actual figures may have shown a profit due to a very small amount being reported for proprietors' salaries. On the other hand, it transferred to the profitable classification some returns on which the appearance of an unduly large item for proprietors' salaries would have assigned to the unprofitable group. Average values of proprietors' services for various size classes as used in this survey are as follows:

<u>Amount of</u> <u>Annual Sales</u>	<u>Average Salary</u> <u>per Proprietor</u>
\$ 10,000 - 20,000 .....	\$ 1,600
20,000 - 30,000 .....	1,900
30,000 - 40,000 .....	2,000
40,000 - 60,000 .....	2,200
60,000 - 80,000 .....	2,400
80,000 - 100,000 .....	2,600
100,000 and over .....	3,000

On allocating these amounts to proprietors in the various size classes, proprietors' salaries are estimated at 6.1 per cent of sales. Employees' salaries and wages formed 10.8 per cent of sales, making a total payroll item of 16.9 per cent. It should be noted that proprietors' salaries were estimated only in the case of unincorporated companies. Pro-





prietors of incorporated companies who devoted the major portion of their time to their retail business were considered as employees and their compensation was included with salaries and wages paid to employees. Proprietors' salaries formed 9.0 per cent of sales in stores having an annual turnover of between \$10,000 and \$20,000, while employees' salaries and wages formed another 8.4 per cent. Corresponding ratios for stores with annual sales from \$20,000 to \$30,000 were 7.1 per cent for proprietors and 9.8 per cent for employees. For still larger stores the payroll ratios were 4.4 per cent for proprietors and 12.3 per cent for employees. The declining relative importance of proprietors' salaries in the total payroll cost as size of store increases is a natural consequence of the fact that in the smaller stores the proprietor performs a great many of the tasks normally carried out by employees in the larger firms. It should also be remembered that some of the larger stores are operated under the corporate form of ownership under which conditions working proprietors are automatically included with paid employees.

The necessity of allocating an imputed value for services performed by proprietors introduces an unavoidable element of arbitrariness in the operating results for retail stores. The attached tables give separate ratios for proprietors' and employees' salaries. Any owner who does not draw a stated salary and wishes to compare his results with the averages for his size of business can deduct the proprietors' payroll percentage shown from the total operating expenses and add the same percentage to net profit.

Advertising expenses formed 1.0 per cent of drug store sales while "supplies" including wrapping paper, bags, twine, etc., were only slightly less at 0.9 per cent. A considerable number of reporting firms advised that cost of supplies was included with the cost of merchandise purchased for resale and was not considered as an expense item. In order to secure uniformity in the results shown in the tables all such firms were asked to give an estimate of their purchases of supplies. These figures were deducted from cost of merchandise purchased and were assigned to the appropriate expense classification.

Communication costs, including telephone, telegraph and postage amounted to 0.6 per cent of sales. Bad debt losses are of but minor importance in drug stores compared with most other lines of retail trade, the amounts reported under this category forming only 0.2 per cent of sales.

Rental costs averaged 4.1 per cent of sales for stores in rented premises. The survey questionnaire contained five other items closely allied with occupancy costs and figures for which are significant only when considered separately for owned and rented stores. Taxes, (including property and business taxes) formed 1.4 per cent of sales for owned stores compared with 0.6 per cent for rented stores. Insurance costs were 0.9 per cent and 0.6 per cent of sales for the two types respectively. Light, heat and power cost 1.3 per cent of sales for owned stores compared with 1.0 per cent for rented premises. Amount paid for repairs and maintenance was twice as high for owned as for rented stores, ratios of such expense to sales being 0.6 per cent and 0.3 per cent respectively. Allowances for depreciation on owned property including delivery equipment amounted to 1.5 per cent and 0.9 per cent of sales for stores in owned and rented premises.

Interest on borrowed money including mortgage interest but exclusive of any allowance for interest on own capital investment formed 0.3 per cent of sales while sundry expenses including all items which could not be properly allocated to any of the classifications listed on the schedule amounted to another 0.6 per cent.

#### Operating Results for Stores Classified According to Size

In addition to presenting a breakdown of operating expenses for all drug stores reporting expense data, the attached tables present similar statistics for stores classified into three size-of-business groups. Gross margin as a percentage of sales varied but slightly for the three size classes, ratios of margin to sales averaging 29.8 per cent for stores with annual sales between \$10,000 and \$20,000, 29.1 per cent for stores with annual sales between \$20,000 and \$30,000 and 30.1 per cent for stores with annual sales in excess of \$30,000. Reason for the comparative constancy in gross margins may be found at least in part in the greater than





usual proportion which price-fixed merchandise forms of the stock-in-trade of drug stores.

Total expenses averaged 29.1 per cent of sales for the smaller stores, 27.2 per cent for the middle size class and 27.3 per cent for the larger concerns. Stocks were turned on an average of twice during the year by the smallest stores, 2.3 times by the middle-size group and 2.8 times by the larger stores.

#### Explanation of Terms

Gross Margin--Gross margin represents the difference between net sales and the cost of goods sold which amount is obtained by adjusting purchases of goods during the year for differences between year-end inventories. That is to say, cost of goods sold equals the value of inventory at the beginning of the year, increased by the value of goods purchased and decreased by the inventory at the end of the year. Value of purchases includes the invoice value of goods bought less any returns, allowances or discounts received from manufacturers or wholesalers. The cost of goods also includes duty and inward freight, express or truckage. Outward delivery costs and other store expenses are not included.

Payroll--Payroll includes salaries, wages and commissions paid to all full-time or part-time employees including amounts paid to members of proprietors' families who serve in the capacity of employees. It also includes an imputed value for the services of proprietors who devote the major portion of their time to the business in question.

Advertising--Included in this item are all amounts paid for various types of advertising, newspaper, handbill, radio, etc.

Supplies--The amount reported under this heading includes expenditures for all supplies used in connection with the business such as wrapping paper, bags, twine, office supplies and in addition supplies such as gas and oil for the firm's own delivery equipment.

Communication--Telephone, telegraph and postage were to be reported under this heading.

Taxes--All licenses and taxes including both property and business taxes but exclusive of Dominion income taxes were to be reported here.

Insurance--Amount of premiums paid for insurance of all types carried in connection with the business was to be reported: fire, theft, plate glass, insurance on delivery equipment, etc.

Rent--Only rentals paid for premises actually used in connection with the business were to be reported.

Heat, Light and Power--Water rates, if paid separately from taxes, were to be included here in addition to all amounts paid for fuel, light and power.

Bad Debt Losses--Each firm was asked to report the amount actually written off as bad debts during the year less bad debts written off in previous years and recovered in the year in question. In some instances amounts transferred to bad debt reserves may have been reported rather than the amount actually written off.

Repairs and Maintenance--This item includes amounts paid for repairs and maintenance to buildings, furniture, fixtures and store or delivery equipment. Labour costs coming through the store's own payroll were to be included in the payroll item and not in this category.

Interest--Only interest paid on borrowed money, bank, mortgage, etc., was to be reported. No allowance was made for interest on own capital investment.

Depreciation--Each firm was asked to report what it considered to be a fair charge for annual depreciation on owned buildings, furniture and store or delivery equipment. From two to five per cent is generally allowed on the cost or purchase price of buildings depending upon the





type of construction. Five per cent of cost is frequently allowed on store furniture and fixtures and twenty per cent on the cost of delivery equipment.

Sundry Expenses--This includes all expenses not otherwise allocated. No separate provision was made for amounts paid outside agencies for delivery to purchasers. Such amounts would normally be assigned to the sundry expense item.

Stock-turn Rate--Rate of stock-turn was obtained by dividing the average of the year-end stock figures into the cost of goods sold. By this means the numerator and denominator in the ratio were brought to the same value basis. But no information is available to indicate the extent to which the average of the year-end figures may be representative of the average stock carried throughout the twelve-month period. Thus while the ratios shown in the tables may be used as a basis for comparisons with individual results, their accuracy as a measure of the number of times that stock was turned over during the year cannot be guaranteed.

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Table 1.--Operating Results of Drug Stores Classified by Sales  
Volume and Occupancy Basis, Canada, 1938.

Item	AMOUNT OF ANNUAL SALES					
	All Stores, Total			\$10,000 - \$20,000		
	Total	Owned	Rented	Total	Owned	Rented
GENERAL INFORMATION						
Number of Stores Reporting .....	370	76	294	121	26	95
Total Sales .....	\$10,209,895	1,903,217	8,306,678	1,866,000	402,698	1,463,302
Average Sales per Store .....	\$ 27,594	25,042	28,254	15,421	15,488	15,403
PROFIT AND LOSS--(In percentages of sales)						
Gross Margin or Profit .....	29.8	29.7	29.8	29.8	31.9	29.3
Expenses--						
Proprietors' salaries .....	6.1	6.9	5.9	9.0	8.8	9.1
Employees' salaries and wages ..	10.8	10.2	11.0	8.4	9.4	8.2
Advertising .....	1.0	1.0	0.9	0.8	1.1	0.7
Supplies .....	0.9	0.9	0.8	0.9	0.9	0.9
Communication .....	0.6	0.7	0.6	0.7	0.8	0.7
Rent .....	3.4	-	4.1	3.5	-	4.5
Taxes .....	0.7	1.4	0.6	0.9	1.8	0.7
Insurance .....	0.6	0.9	0.6	0.8	1.1	0.7
Light, heat and power .....	1.1	1.3	1.0	1.3	1.6	1.2
Repairs .....	0.3	0.6	0.3	0.4	0.7	0.3
Depreciation .....	1.0	1.5	0.9	1.2	1.7	1.0
Bad debts .....	0.2	0.2	0.2	0.2	0.2	0.2
Interest on borrowed money .....	0.3	0.4	0.3	0.5	0.8	0.4
Sundry expense .....	0.6	0.6	0.6	0.5	0.8	0.4
Total Expense .....	27.6	26.6	27.8	29.1	29.7	29.0
Net Profit or Loss .....	+2.2	+3.1	+2.0	+0.7	+2.2	+0.3
OTHER INFORMATION						
Stock Turnover (times per year) ...	2.5	2.1	2.5	2.0	1.7	2.1

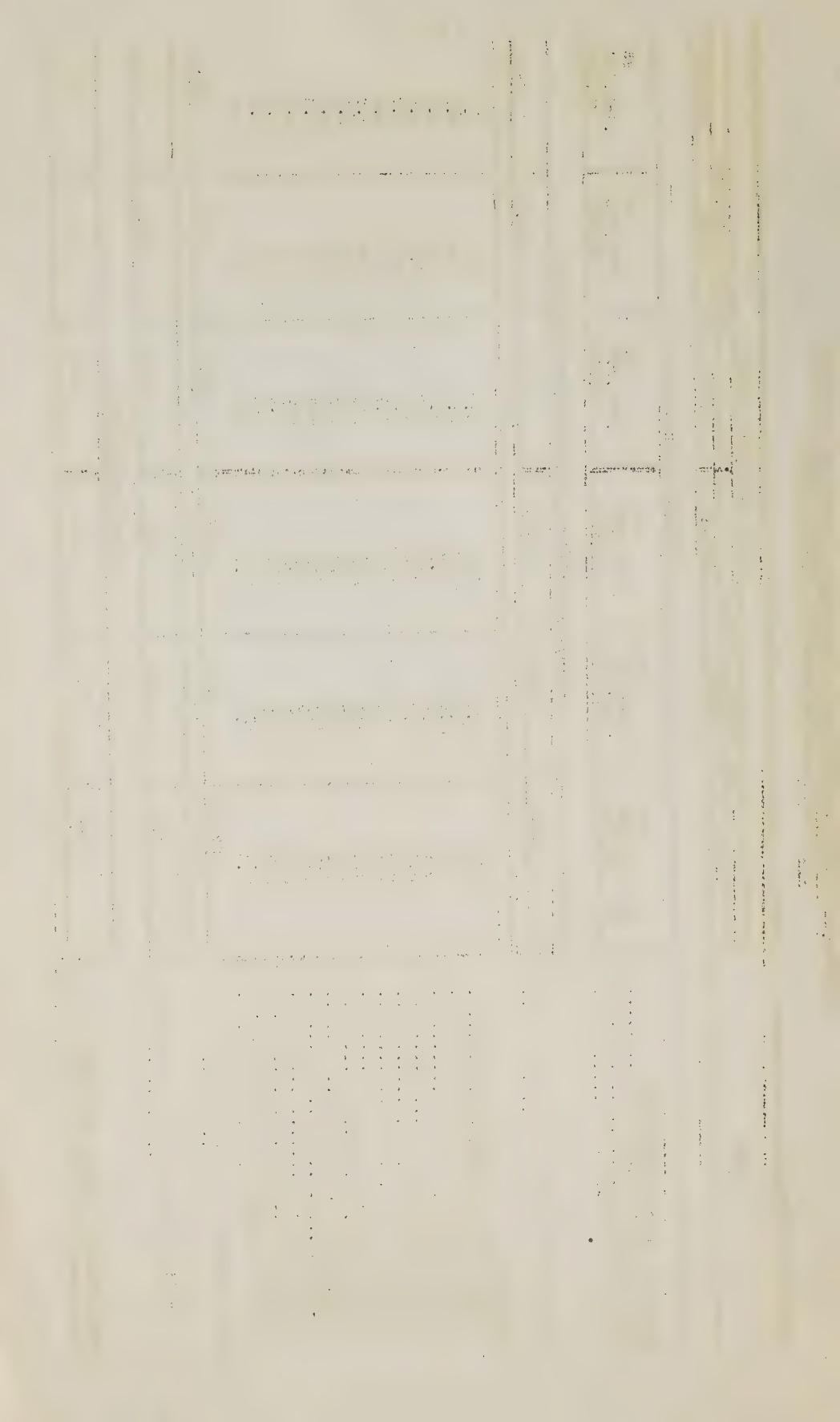


Table 1.--Operating Results of Drug Stores Classified by Sales  
Volume and Occupancy Basis, Canada, 1938

(Cont'd).

Item	AMOUNT OF ANNUAL SALES				
	\$20,000 - \$30,000		\$30,000 and Over		
	Total	Owned	Rented	Total	Owned
					Rented
GENERAL INFORMATION					
Number of Stores Reporting .....	127	30	97	122	20
Total Sales .....	\$3,109,863	709,615	2,400,248	5,234,032	790,904
Average Sales per Store .....	24,487	23,654	24,745	42,902	39,545
					102
					4,443,128
					43,560
PROFIT AND LOSS--(In percentages of Sales)					
Gross Margin or Profit .....	29.1	28.1	29.4	30.1	29.9
					30.2
Expenses--					
Proprietors' salaries .....	7.1	7.5	7.1	4.4	5.5
Employees' salaries and wages .....	9.8	8.8	10.1	12.3	11.8
Advertising .....	0.8	0.9	0.8	1.1	1.1
Supplies .....	0.9	1.0	0.8	0.9	0.9
Communication .....	0.6	0.7	0.6	0.5	0.5
Rent .....	2.9	-	3.8	3.5	4.2
Taxes .....	0.8	1.5	0.6	0.6	-
Insurance .....	0.7	1.0	0.6	0.5	1.0
Light, heat and power .....	1.1	1.4	1.0	1.0	0.7
Repairs .....	0.4	0.5	0.3	0.3	1.1
Depreciation .....	1.0	1.6	0.8	1.0	1.3
Bad debts .....	0.3	0.3	0.3	0.2	1.0
Interest on borrowed money .....	0.3	0.3	0.3	0.2	0.2
Sundry expense .....	0.5	0.5	0.5	0.7	0.7
Total Expense .....	27.2	26.0	27.6	27.3	25.6
					27.6
OTHER INFORMATION					
Net Profit or Loss .....	+1.9	+2.1	+1.8	+2.8	+4.3
					+2.6
Stock Turnover (times per year) .....	2.3	2.1	2.4	2.8	2.5
					2.8





Table 2.--Operating Results of Drug Stores Classified by Sales Volume  
and Net Profit or Loss, Canada, 1938

Item	AMOUNT OF ANNUAL SALES			
	All Stores, Total	Unprofitable	Total	\$10,000 - \$20,000
Total	Profitable			Unprofitable
GENERAL INFORMATION				
Number of Stores Reporting	370	232	138	121
Total Sales .....	\$10,209,895	6,746,726	3,463,169	1,866,000
Average Sales per Store ..	27,594	29,081	25,095	15,421
				62
				966,874
				15,595
				899,126
				15,239
PROFIT AND LOSS--(In percentages of sales)				
Gross Margin or Profit ...	29.8	30.6	28.0	29.8
				31.3
				28.3
EXPENSES--				
Proprietors' salaries ..	6.1	6.0	6.2	9.0
Employees' salaries ..	10.8	10.1	12.2	8.4
Advertising .....	1.0	1.0	0.9	0.8
Supplies .....	0.9	0.8	0.9	0.9
Communication .....	0.6	0.6	0.6	0.7
Rent .....	3.4	3.2	3.6	3.5
Taxes .....	0.7	0.7	0.8	0.9
Insurance .....	0.6	0.6	0.7	0.9
Light, heat and power ..	1.1	1.0	1.3	0.7
Repairs .....	0.3	0.3	0.4	1.3
Depreciation .....	1.0	0.9	1.2	0.4
Total occupancy costs* ..	7.1	6.7	8.0	1.2
Bad debts .....	0.2	0.2	0.3	7.1
Interest on borrowed money	0.3	0.3	0.4	0.3
Sundry expense .....	0.6	0.6	0.7	1.1
				1.2
				9.0
				0.2
				0.5
				0.5
Total Expense .....	27.6	26.3	30.2	29.1
				26.8
				31.6
OTHER INFORMATION				
Net Profit or Loss .....	+2.2	+4.3	-2.2	+0.7
				+4.5
				-3.3
STOCK TURNOVER				
Stock Turnover(times per year) .....	2.5	2.6	2.3	2.0
* Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.				1.9

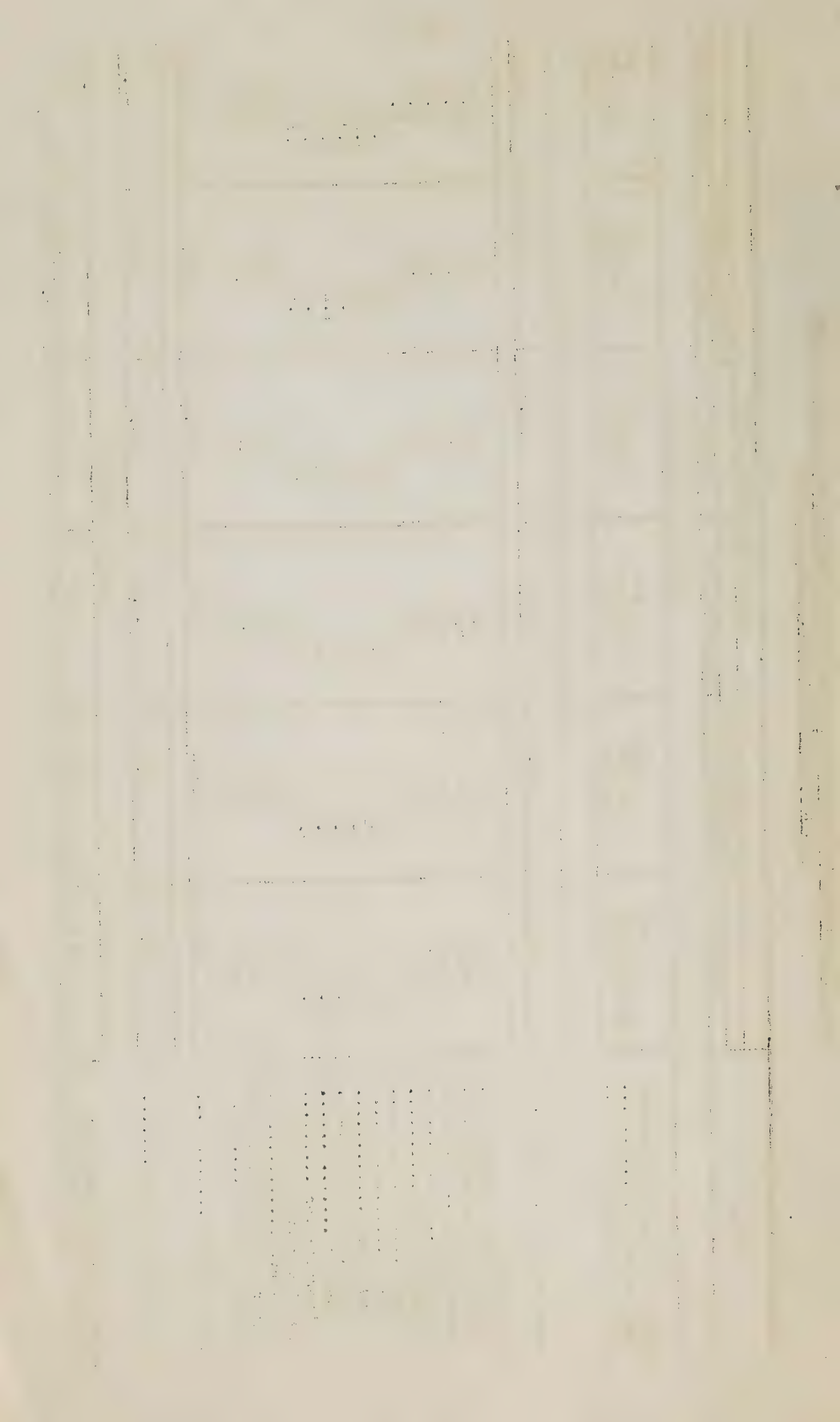




Table 2.--Operating Results of Drug Stores Classified by Sales Volume  
and Net Profit or Loss, Canada, 1938--(Cont'd)

Item	AMOUNT OF ANNUAL SALES				
	\$20,000 - \$30,000		\$30,000 and Over		
Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
GENERAL INFORMATION					
Number of Stores Reporting ..	127	84	43	122	86
Total Sales .....	\$ 3,109,863	2,062,411	1,047,452	5,234,032	3,717,441
Average Sales per Store .....	24,487	24,553	24,359	42,902	43,226
PROFIT AND LOSS--(In percentages of sales)					
Gross Margin or Profit .....	29.1	29.9	27.6	30.1	30.9
Expenses--					
Proprietors' salaries .....	7.1	7.6	6.3	4.4	4.2
Employees' salaries .....	9.8	8.6	12.3	12.3	12.0
Advertising .....	0.8	0.9	0.8	1.1	1.1
Supplies .....	0.9	0.8	1.0	0.9	0.8
Communication .....	0.6	0.6	0.6	0.5	0.5
Rent .....	2.9	3.0	2.9	3.6	3.5
Taxes .....	0.8	0.7	1.0	0.6	0.6
Insurance .....	0.7	0.6	0.7	0.5	0.5
Light, heat and power ..	1.1	1.1	1.2	1.0	0.9
Repairs .....	0.4	0.3	0.5	0.3	0.3
Depreciation .....	1.0	0.9	1.1	1.0	0.9
Total occupancy costs* ..	6.9	6.6	7.4	7.0	6.7
Bad debts .....	0.3	0.2	0.4	0.2	0.1
Interest on borrowed money	0.3	0.2	0.4	0.2	0.3
Sundry expense .....	0.5	0.4	0.7	0.7	0.8
Total Expense .....	27.2	25.9	29.9	27.3	26.3
Net Profit or Loss .....	+1.9	+4.0	-2.3	+2.8	+4.6
OTHER INFORMATION					
Stock Turnover (times per Year) .....	2.3	2.5	2.1	2.8	2.8
* Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.					

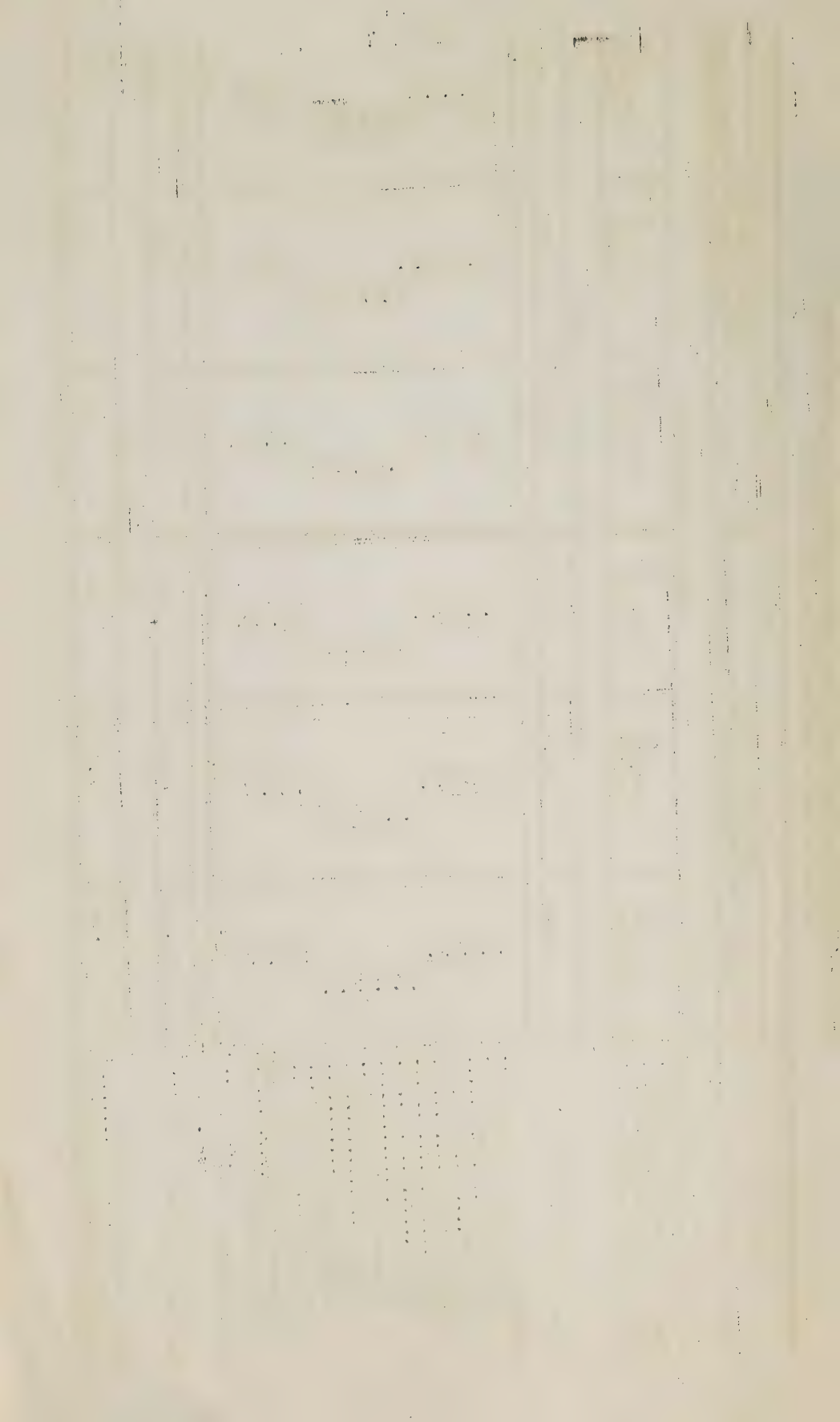




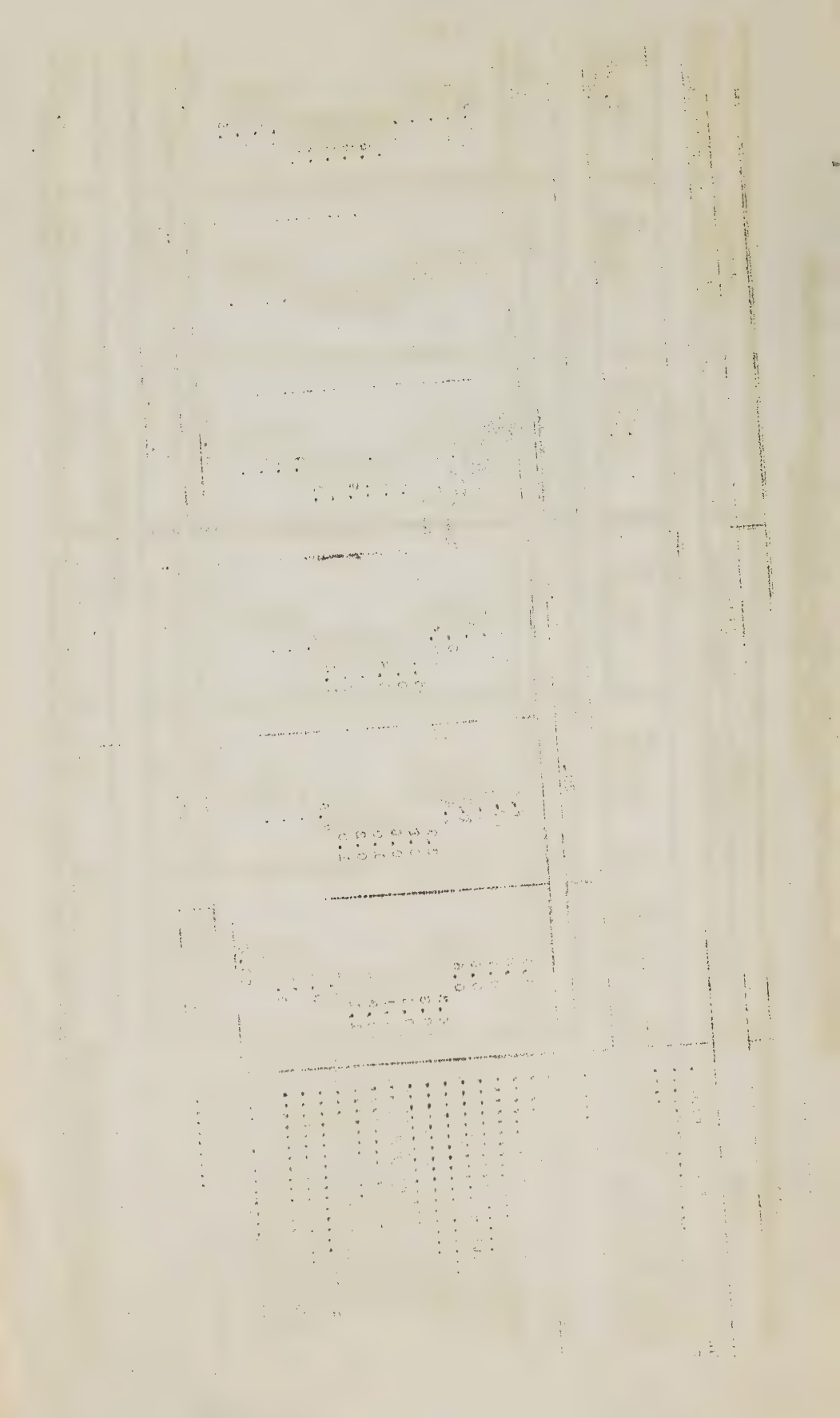




Table 3.--Operating Results of Drug Stores, Classified by Provinces and Not Profit or Loss, 1938.--(Cont'd)

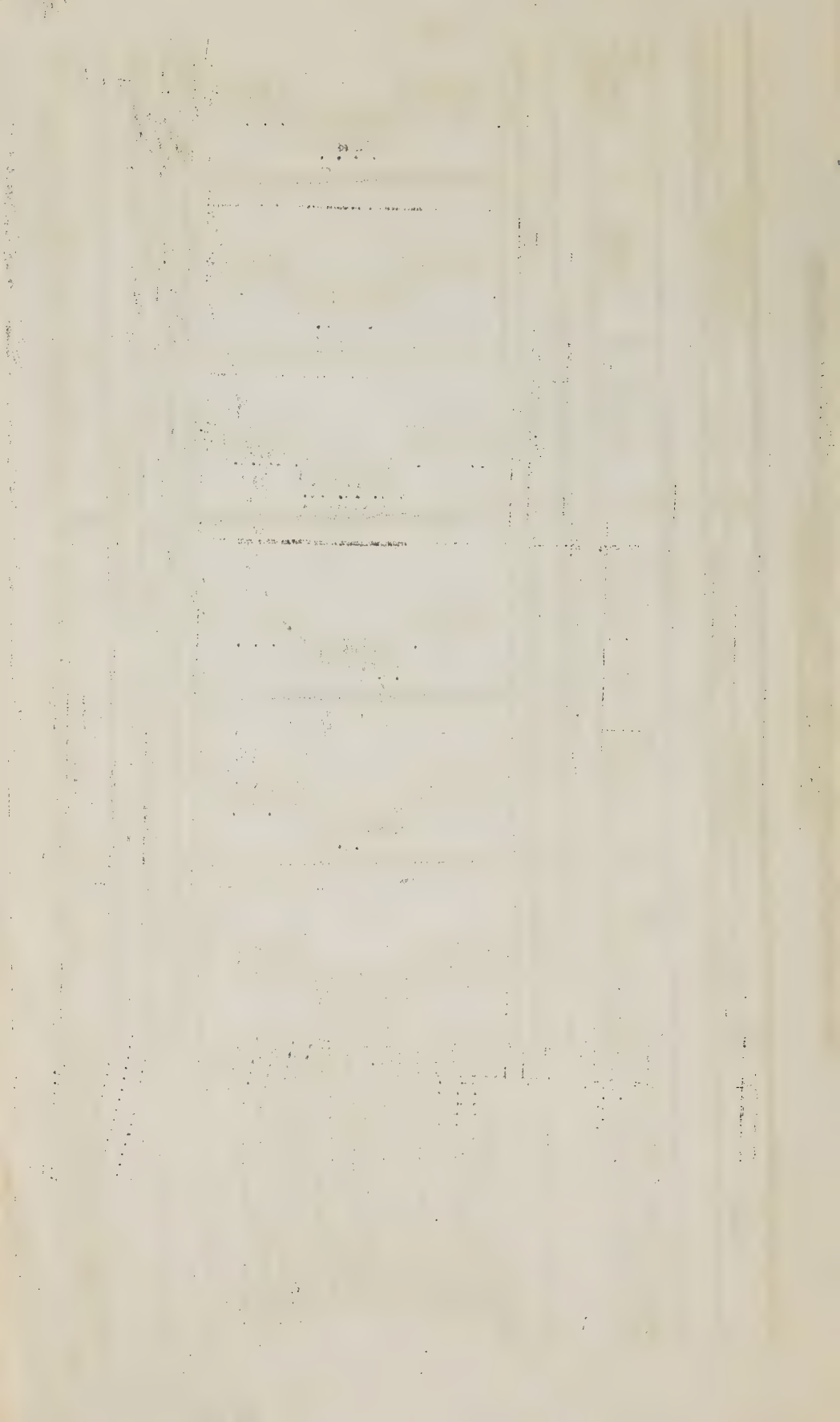
Item	QUEBEC			ONTARIO		
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
GENERAL INFORMATION						
Number of Stores Reporting .	38	23	15	133	86	47
Total Sales .....	\$ 957,257	654,525	302,732	4,225,074	2,884,035	1,341,039
Average Sales per Store .....	\$ 25,191	28,458	20,182	31,767	33,535	28,533
PROFIT AND LOSS--(In percentages of sales)						
Gross Margin or Profit .....	30.5	30.4	30.7	29.1	30.0	27.2
Expenses--						
Proprietors' salaries .....	6.9	6.4	8.1	5.8	5.7	5.9
Employees' salaries .....	10.8	10.1	12.3	10.6	10.2	11.7
Advertising .....	0.7	0.6	0.8	1.0	1.0	0.9
Supplies .....	0.6	0.5	0.9	0.8	0.8	0.9
Communication .....	0.6	0.6	0.6	0.5	0.5	0.5
Rent .....	4.3	3.9	5.3	3.4	3.4	3.6
Taxes .....	0.8	0.8	0.8	0.7	0.6	0.8
Insurance .....	0.6	0.6	0.8	0.5	0.4	0.6
Light, heat and power ..	1.1	1.0	1.3	0.9	0.8	1.0
Repairs .....	0.3	0.2	0.5	0.4	0.3	0.5
Depreciation .....	1.1	1.0	1.2	1.0	0.9	1.3
Total occupancy costs* ..	8.2	7.5	9.9	6.9	6.4	7.8
Bad debts .....	0.2	0.1	0.3	0.2	0.1	0.2
Interest .....	0.3	0.2	0.5	0.2	0.2	0.4
Sundry expense .....	0.9	1.0	0.5	0.4	0.3	0.6
Total Expense .....	29.2	27.0	33.9	26.4	25.2	28.9
OTHER INFORMATION						
Net Profit or Loss .....	+1.3	+3.4	-3.2	+2.7	+4.8	-1.7
OTHER INFORMATION						
Stock Turnover(times per year)	2.2	2.4	1.9	2.9	2.9	2.8
* Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.						

\* Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.













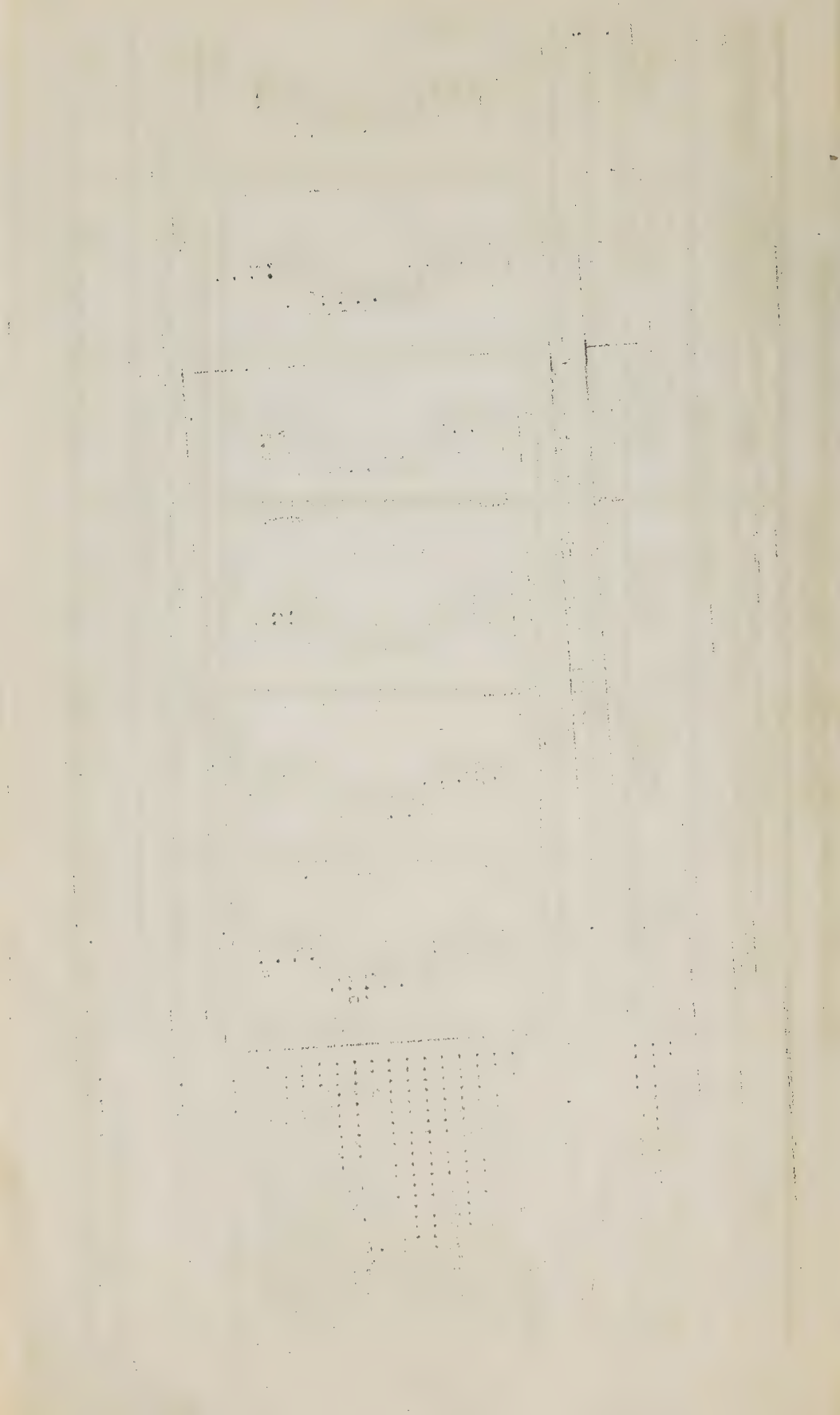
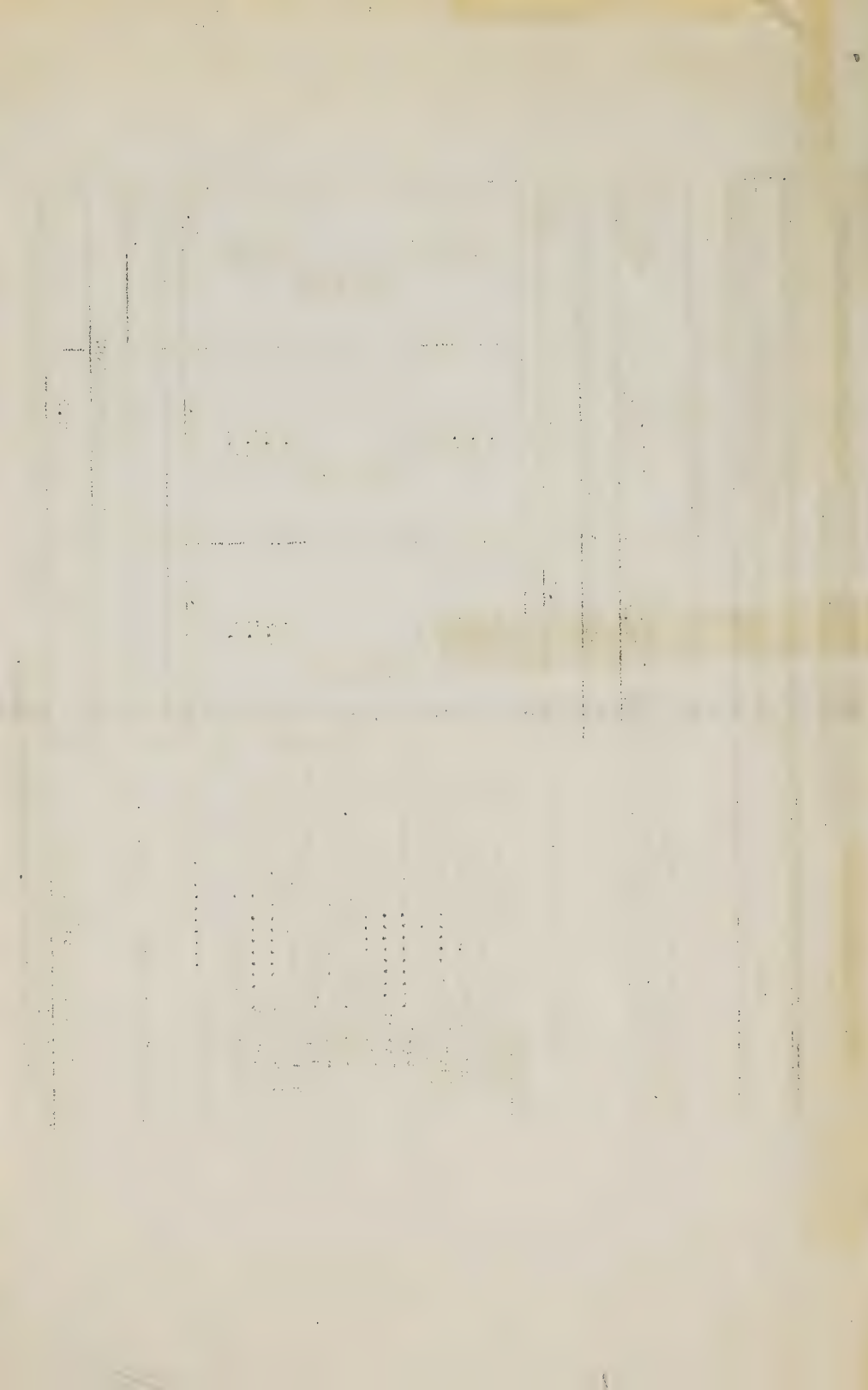


Table 3.--Operating Results of Drug Stores, Classified by Provinces and Net Profit or Loss, 1938--(Cont'd)

Item	PRAIRIE PROVINCES		
	Total	Profitable	Unprofitable
GENERAL INFORMATION			
Number of Stores Reporting .....	115	68	47
Total Sales .....	\$ 2,956,955	1,749,981	1,206,974
Average Sales per Store .....	\$ 25,713	25,735	25,680
PROFIT AND LOSS--(In percentages of Sales)			
Gross Margin or Profit .....	30.0	31.3	28.1
Expenses--			
Proprietors' salaries .....	5.6	5.9	5.2
Employees' salaries .....	11.6	10.3	13.4
Advertising .....	0.9	0.9	0.9
Supplies .....	0.8	0.8	0.8
Communication .....	0.6	0.6	0.7
Rent .....	3.4	2.9	4.0
Taxes .....	0.8	0.8	0.8
Insurance .....	0.7	0.7	0.8
Light, heat and power .....	1.3	1.1	1.4
Repairs .....	0.3	0.4	0.2
Depreciation .....	1.1	1.1	1.2
Total occupancy costs* .....	7.6	7.0	8.4
Bad debts .....	0.2	0.2	0.3
Interest .....	0.3	0.3	0.3
Sundry expense .....	0.7	0.6	0.7
Total Expense .....	28.3	26.6	30.7
Net Profit or Loss .....	+1.7	+4.7	-2.6
OTHER INFORMATION			
Stock Turnover (times per year) .	2.2	2.3	2.0

\* Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.





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DEPT. OF POLITICAL ECONOMY



CANADA

*Bureau of Statistics*

*Drug stores (independent): quarterly results*

OPERATING RESULTS AND FINANCIAL STRUCTURE  
INDEPENDENT DRUG STORES  
1952

*Published by Authority of*  
The Right Honourable C. D. Howe, Minister of Trade and Commerce

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## NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** — The Primary Industries, including mining, forestry and fisheries; **Volume II** — Manufacturing; **Volume III** — Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

### Part I — Wholesale Statistics

- A — Wholesale Trade, 25¢
- \*B — Operating Results of Food Wholesalers, 25¢
- \*C — Operating Results of Dry goods, Piece Goods, and Footwear Wholesalers, 25¢
- \*D — Operating Results of Miscellaneous Wholesalers, (Automotive parts and accessories, drugs, hardware, plumbing and heating equipment), 25¢

### Part II — Retail Statistics

- E — General Review, 25¢
- F — Retail Trade, 50¢
- G — Retail Chain Stores, 50¢
- \*H — Operating Results of Chain Food Stores, 25¢
- \*I — Operating Results of Chain Clothing Stores, 25¢
- \*J — Operating Results of Miscellaneous Chain Stores (variety, drug, furniture), 25¢
- K — Operating Results of Retail Food Stores, 25¢
- L — Operating Results of Retail Clothing Stores, 25¢
- M — Operating Results of Retail Hardware, Furniture, Appliance and Radio Stores, 25¢
- N — Operating Results of Filling Stations and Garages, 25¢
- O — Operating Results of Miscellaneous Retail Stores, 25¢
- P — Retail Consumer Credit, 25¢

### Part III — Service and Special Fields

- Q — Laundries, Cleaners and Dyers, 25¢
- R — Motion Picture Theatres, Exhibitors and Distributors, 25¢
- S — Hotels, 25¢
- T — Sales Financing, 25¢
- U — Farm Implement and Equipment Sales, 25¢
- V — New Motor Vehicle Sales and Motor Vehicle Financing, 25¢
- W — Advertising Agencies (Memorandum), 25¢
- X — Motion Picture Production (Memorandum), 10¢

The reports are punched to permit of filing in a ring binder.

\* Biennial reports — not issued for 1952.



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Note: "Operating Results and Financial Structure Independent Drug Stores" was formerly contained in "Operating Results and Financial Structure, Miscellaneous Retail Stores".

## DEFINITIONS

### Profit and Loss

**Net Sales** — the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

**Cost of goods sold** — determined by adding the beginning inventory to net purchases and deducting the ending inventory.

**Gross profit** — the difference between "cost of goods sold" and "net sales".

**Operating expenses** — all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

**Salaries and wages (except delivery)** — payments to employees before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" in unincorporated store operations.

**Taxes** — business, property and water taxes. Taxes collected for remittance to governmental bodies and income tax are not included.

**Insurance** — annual proportion of premiums for insurance policies carried to protect the business.

**Rent** — Payments for use of business premises.

**Heat, light and power** — cost applicable to year's operations.

**Delivery** — includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licenses and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.).

**Repairs and maintenance** — costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

**Depreciation allowances** — provision for decrease in the value of fixed store assets.

**Store supplies** — wrapping paper, office supplies, etc.

**Advertising** — displays, window dressing and sales promotion.

**Net bad debt loss** — estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

**Other expenses** — telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

**Net operating profit** — is the difference between "total operating expenses" and "gross profit" and includes proprietors' salaries and withdrawals before income tax deductions.

**Occupancy** — the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

## DEFINITIONS

### Balance Sheet

#### Assets

**Cash on hand or in bank** — the amount of cash in the business at the end of the year.

**Net accounts receivable** — all customers' notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

**Merchandise inventory** — the cost value of merchandise on hand for resale but does not include store supplies on hand.

**Other current assets** — includes assets which may be converted into cash, if necessary within a reasonably short time, such as Dominion of Canada Bonds and prepaid insurance.

**Fixed assets (net)** — the book value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation. Separate figures are shown for assets used in the business and those not used in the business.

**Other assets** — investments of a permanent nature not readily converted into cash and intangibles such as goodwill and organization costs.

#### Liabilities and Net Worth

**Current liabilities** — obligations which must be paid in the near future and represent accounts payable or any item that may be considered as a direct lien against current assets.

**Fixed liabilities** — mortgages secured by fixed assets and separated, as are fixed assets, between those used and not used in business.

**Other liabilities** — long term notes payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income.

**Net Worth** — Unincorporated business — the amount invested in the business together with any accumulated profits after proprietor's or partners' withdrawals.

— Incorporated business — net worth is shown in two parts: (1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares, and (2) Surplus, which represents distributable surplus, capital surplus and earned surplus.

## DEFINITIONS

### Profit and Loss Statement Ratios

**Stock Turnover** — the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

**Gross Profit Ratio** — sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

**Operating Expense Ratios** — Each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

**Net Operating Profit Ratio** — the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted, in order to determine the percentage to sales of net returns on capital investment.

### Balance Sheet Ratios

**Current Ratio** —  $\text{Current Assets} \div \text{Current Liabilities}$  — indicates to what extent the business is able to meet its current obligations out of "current assets". Care should be taken to examine the components of current assets because overstocking of inventories and overinvestment in credit sales (accounts receivable) can result in a stronger or more favourable ratio.

**Liquidity Ratio** —  $\text{Cash} + \text{Accounts Receivable} + \text{Government Bonds and Securities} \div \text{Current Liabilities}$  — sometimes referred to as the "acid test", is similar to the "current ratio" as a test of current credit strength. A ratio of 100% (or 1) is usually considered favourable.

**Working Capital to Net Worth Ratio** — denotes the relationship between "working capital" (current assets less current liabilities) and a proprietor's equity in the business. That is, the proportion of "net worth" that could be realized readily if liquidation were necessary.

**Worth-Debt Ratio** —  $\text{Net Worth} \div \text{Total Liabilities}$  — if used in conjunction with the "current ratio", would reflect any weakening of the capital structure of a business through large loans which give a high "current ratio".

### Interstatement Ratio

**Turnover of Total Capital Employed** —  $\text{Net Sales} \div \text{Total Assets used in the business}$  — provides an indication of the degree of management efficiency. However, this ratio should not be used alone because "profits" and not "sales" are the major criterion of efficiency.



# OPERATING RESULTS AND FINANCIAL STRUCTURE

## INDEPENDENT DRUG STORES

1952

### INTRODUCTION

The ratios appearing in the operating results bulletins may not constitute an ideal pattern of operations which all retailers should set as a goal, but they do represent a standard by which the retailer may ascertain whether or not his operations are being conducted as effectively, economically and profitably as those of the trade in general. To the merchant whose profits are below average, the operating results summaries may help to disclose the reasons which account for this situation. Reflection and consideration on the part of the merchant make it possible to decide whether his operating methods should be altered or whether the situation is normal in the light of conditions peculiar to the location of his business.

There is growing evidence that independent retail merchants are making more advantageous use of the results shown in the biennial operating results bulletins issued by the Dominion Bureau of Statistics. Many accounting firms whose clientele includes retail merchants have shown much interest in these series.

A number of trade papers and business periodicals have reproduced and interpreted the results of previous studies with the object of illustrating to retail merchants the manner in which operating results can be used as a tool in store management. This is a practice the Bureau is pleased to encourage, since it meets with one of the most important objects in maintaining this series, namely the promotion of improved merchandising on the part of retailers.

Statistics derived from other sources have shown that the mortality rate of business is much higher among new entrants into the field of retailing than among those established for five years or more. There are many reasons for this, some of them as-

sociated with the natural incompetence of the initiate retailer which could not be completely overcome by means of operating statement analysis. It seems reasonable to suppose, however, that failure in many cases is the result of inadequate knowledge on the part of new proprietors of the true fiscal requirements involved in operating a business and the proper allocation of costs. Where capital is limited, as is often the case in a newly-established store, it would seem that most careful attention should be given to maintenance of proper records and that provision be made to check against some such standard performance as these publications provide.

Analyses of both profit and loss statements and balance sheets are presented in this report.

Profit and loss data are shown for owned and rented stores separately, and for various sales-size categories.

Balance sheet data, which was introduced in 1948, is continued in this 1952 study. This information is presented by sales-size and kind of occupancy groups for stores with \$20,000 or more annual net sales. Where possible, a further differentiation has been made between businesses in operation less than 10 years and 10 years or more. An important change, introduced in 1950, is the segregation of fixed assets and fixed liabilities between those used in the business and those not used in the business. This makes possible a better relationship between assets used in the business and sales than was possible when all fixed assets of the proprietor were reported as one item.

Definitions of the ratios presented in this bulletin, for comparison and financial statement analysis, are shown on the opposite page.

## DRUG STORES

The tabulated results presented in this bulletin were derived from reports submitted by independent drug stores without soda fountains. The term "independent" is used to mean non-chain or single establishment firms. There were 423 unincorporated and 56 incorporated stores which submitted returns suitable for profit and loss statement tabulations. The 423 unincorporated firms were comprised of 175 owner-operated and 248 lessee-operated stores, whereas the 56 incorporated stores' operations were conducted in rented premises. Separate results are shown for both incorporated and unincorporated firms as well as for stores operated in owned and rented

premises. In addition, a further differentiation was made to show average results for firms within typical annual sales-size ranges for each category.

Average balance sheet results were tabulated for both "owned" and "rented" categories of unincorporated firms and "rented" category of the incorporated firms. There was a sufficient number of reporting unincorporated firms to allow the presentation of balance sheet data for businesses in operation "under 10 years" and "10 years and over" within each sales-size range.

## Operating Results

Although identical firm results are not used, a reasonable year-to-year comparison of operating results may be made. Because profits and expenses for each year are expressed as percentages of their respective sales, it is necessary to take into account the change in sales to make a significant interpretation of changes in ratios. As an example, if average sales increased 10 per cent from \$50,000 in 1950 to \$55,000 in 1952, and rent showed a proportionate increase from \$600 to \$660, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10 per cent, the rent expense ratio would decline.

Changes in ratios and averages for both unincorporated and incorporated drug stores showed the same trend from 1950 to 1952. Gross profit ratios increased from 28.94 per cent to 29.08 per cent for unincorporated stores and from 33.40 per cent to 34.11 per cent for incorporated stores. Total opera-

ting expense ratios also increased in 1952 but to a smaller degree than did the gross profit. Consequently, net operating profit ratios increased from 11.90 per cent to 12.02 per cent for unincorporated stores and from 4.45 per cent to 5.38 per cent for incorporated stores. In addition to the net operating profit forming a larger portion of the average sales' dollar for both forms of organization, the average net sales (or number of average sales' dollars) for both unincorporated and incorporated stores increased in 1952. Therefore, both unincorporated and incorporated drug stores realized a greater net profit in 1952 when compared with 1950 results.

Inventories of both incorporated and unincorporated drug stores were higher in value at the end of 1952 than at the beginning of the year.

The annual rate of stock turnover ranged from 2.12 for the smaller stores to 4.44 for firms in the largest sales-size category.

Financial Ratios of Independent Drug Stores, 1950 and 1952 Compared

Ratio <sup>1</sup>	Unincorporated		Incorporated
	Owned	Rented	Rented
Current ratio .....	3.97	3.68	3.85
Liquidity ratio .....	1.36	1.32	1.43
Working capital to net worth .....	0.58	0.76	0.77
Worth debt ratio .....	3.13	2.68	2.99
Turnover of total capital employed .....	1.90	2.64	2.31

1. Ratio definitions are shown on page 6.

## Operating Results of Independent Drug Stores, 1950 and 1952 Compared

Item	Unincorporated		Incorporated	
	1950	1952	1950	1952
Average net sales .....	\$ 45,117	51,602	78,306	93,162
Profit and Loss Data (Per cent of net sales)				
Gross profit .....	28.94	29.08	33.40	34.11
Operating expenses:				
Employees' salaries .....	8.52	8.68	18.48	18.83
Occupancy .....	4.58	4.37	5.77	5.20
Store supplies .....	0.58	0.59	0.66	0.64
Advertising .....	0.79	0.75	1.18	1.11
All other expenses .....	2.57	2.67	2.86	2.95
Total operating expenses.....	17.04	17.06	28.95	28.73
Net operating profit before provision for income tax <sup>1</sup> .....	11.90	12.02	4.45	5.38

1. Includes proprietors' salaries for unincorporated stores.

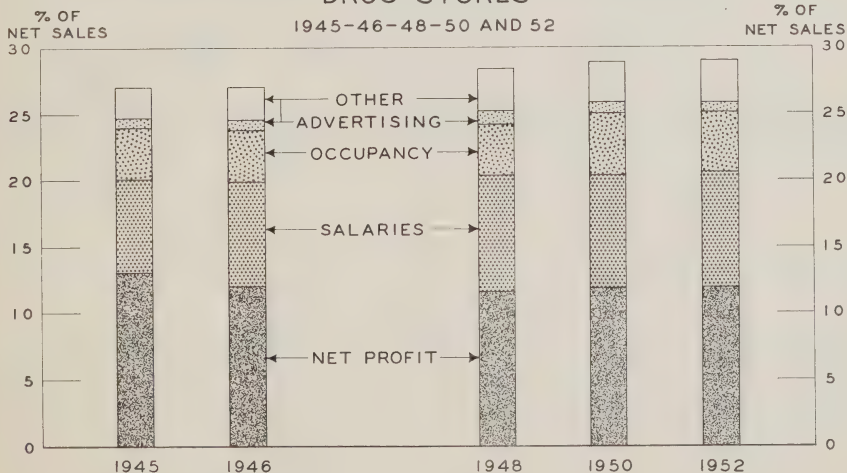
COMPOSITION OF AVERAGE GROSS PROFIT  
DRUG STORES

TABLE 1. Independent Drug Stores—Operating Results of Unincorporated Stores, by Sales Volume and Occupancy Basis, 1952

Item	Owned stores with annual net sales of			Rented stores with annual net sales of			
	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and over
Number of stores reporting .....	27	87	53	19	94	108	22
Average net sales per store .....	\$ 15,872	\$ 34,579	\$ 67,096	\$ 15,551	\$ 37,082	\$ 69,201	\$ 136,617
Average cost of goods sold .....	\$ 11,461	\$ 25,203	\$ 47,676	\$ 10,560	\$ 26,263	\$ 49,007	\$ 94,134
Average beginning inventory .....	\$ 4,372	\$ 8,156	\$ 12,323	\$ 4,987	\$ 8,776	\$ 13,289	\$ 20,962
Average inventory, end of year .....	\$ 4,541	\$ 8,483	\$ 13,310	\$ 4,989	\$ 8,960	\$ 13,590	\$ 21,433
Stock turnover (times per year) .....	2.57	3.03	3.72	2.12	2.96	3.65	4.44
Profit and Loss Data (Per cent of net sales)							
Gross profit .....	27.79	27.12	28.94	32.09	29.17	29.18	31.09
Operating expenses:							
Employees' salaries and wages (except delivery) .....	4.15	6.07	9.26	5.24	7.56	9.54	10.61
Taxes .....	1.33	0.83	0.72	0.94	0.42	0.34	0.22
Insurance .....	0.78	0.66	0.58	0.65	0.54	0.42	0.38
Rent .....	—	—	—	5.79	2.79	2.12	1.99
Heat, light and power .....	1.35	1.03	0.82	1.01	0.66	0.51	0.44
Delivery .....	0.76	0.72	0.79	0.69	1.04	1.17	1.39
Repairs and maintenance .....	0.75	0.64	0.53	0.50	0.38	0.32	0.45
Depreciation allowances .....	0.64	1.11	1.06	0.79	0.48	0.38	0.54
Store supplies .....	0.49	0.59	0.64	0.47	0.50	0.61	0.56
Advertising .....	0.52	0.52	0.79	0.79	0.75	0.73	1.00
Bad debts-written off .....	0.09	0.09	0.03	0.05	0.04	0.10	0.03
(Loss) amount recovered .....	—	0.03	0.03	0.03	—	0.01	—
Net bad debt loss .....	0.09	0.06	0.03	0.02	0.04	0.09	0.03
All other expenses .....	1.64	1.63	1.97	2.62	1.58	1.47	1.31
Total operating expenses .....	12.50	3.86	17.19	19.51	16.74	17.90	18.92
Net operating profit before deduction of proprietors' salaries and income tax .....	15.29	13.26	11.75	12.58	12.43	11.28	12.17

TABLE 2. Independent Drug Stores—Operating Results of Incorporated Rented Stores, 1952

Item	Stores with annual net sales of		
	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and over
Number of stores reporting .....	10	22	22
Average net sales per store .....	\$ 36,090	\$ 74,707	\$ 141,197
Average cost of goods sold .....	\$ 25,171	\$ 50,530	\$ 90,817
Average beginning inventory .....	\$ 9,701	\$ 19,007	\$ 25,815
Average inventory, end of year .....	\$ 9,636	\$ 20,088	\$ 28,575
Stock turnover (times per year) .....	2.60	2.59	3.47
Profit and Loss Data (Per cent of net sales)			
Gross profit .....	30.25	32.36	35.68
Operating expenses:			
Employees' salaries and wages (except delivery) .....	18.50	18.45	19.20
Taxes .....	0.48	0.32	0.42
Insurance .....	0.51	0.64	0.44
Rent .....	3.11	3.06	2.92
Heat, light and power .....	1.02	0.65	0.34
Delivery .....	0.93	0.53	0.74
Repairs and maintenance .....	0.43	0.39	0.23
Depreciation allowances .....	0.48	0.42	0.59
Store supplies .....	0.61	0.76	0.59
Advertising .....	0.66	1.00	1.23
Bad debts-written off .....	0.01	0.10	0.14
(Loss) amount recovered .....	—	0.07	0.02
Net bad debt loss .....	0.01	0.03	0.12
All other expenses .....	3.21	2.31	2.10
Total operating expenses .....	29.95	28.56	28.92
Net operating profit before provision for income tax .....	0.30	3.80	6.76



**TABLE 3. Independent Drug Stores—Owned—Financial Structure of Unincorporated Stores by Size and Age of Business, as at December 31, 1952**

Item	Stores with annual net sales of						Total all sizes \$20,000 and over
	\$20,000 to \$49,999			\$50,000 to \$99,999			
	under 10 years	10 years and over	Total	under 10 years	10 years and over	Total	
Assets							
Current assets:							
Cash on hand and in bank .....	1,167	2,282	2,010	4,695	3,961	4,166	3,125
Accounts and notes receivable (net) .....	487	603	575	814	1,129	1,041	782
Merchandise inventory .....	8,723	8,527	8,574	14,225	12,831	13,221	10,797
Other current assets .....	387	2,861	2,254	548	668	635	1,723
<b>Total current assets .....</b>	<b>10,744</b>	<b>14,273</b>	<b>13,413</b>	<b>20,282</b>	<b>18,589</b>	<b>19,063</b>	<b>16,427</b>
Fixed assets (net):							
Used in the business .....	9,347	6,596	7,266	15,569	8,996	10,836	8,892
Not used in the business .....	1,026	1,613	1,470	221	3,015	2,233	1,714
<b>Total fixed assets (net) .....</b>	<b>10,373</b>	<b>8,209</b>	<b>8,736</b>	<b>15,790</b>	<b>12,011</b>	<b>13,069</b>	<b>10,606</b>
Other assets:							
Investments of a permanent nature .....	439	1,018	877	114	800	608	748
Intangibles .....	—	517	391	369	191	241	330
<b>Total other assets .....</b>	<b>439</b>	<b>1,535</b>	<b>1,268</b>	<b>483</b>	<b>991</b>	<b>849</b>	<b>1,078</b>
<b>Total assets .....</b>	<b>21,556</b>	<b>24,017</b>	<b>23,417</b>	<b>36,555</b>	<b>31,591</b>	<b>32,981</b>	<b>28,111</b>
Liabilities							
Current liabilities — accounts and notes payable .....	3,277	3,395	3,366	7,850	3,609	4,797	4,137
Fixed liabilities — mortgages on fixed assets:							
Used in the business .....	2,961	705	1,255	6,502	1,357	2,797	1,939
Not used in the business .....	53	544	424	—	69	50	270
Other liabilities .....	264	322	308	1,564	419	739	462
<b>Total liabilities .....</b>	<b>6,555</b>	<b>4,966</b>	<b>5,353</b>	<b>15,916</b>	<b>5,454</b>	<b>8,383</b>	<b>6,808</b>
Net worth — proprietor's or partners' equity in the business .....	15,001	19,051	18,064	20,639	26,137	24,598	21,303
<b>Total liabilities and net worth .....</b>	<b>21,556</b>	<b>24,017</b>	<b>23,417</b>	<b>36,555</b>	<b>31,591</b>	<b>32,981</b>	<b>28,111</b>
Number of stores reporting .....	19	59	78	14	36	50	132
Average net sales of stores reporting .....	34,941	34,927	34,930	70,948	66,443	67,706	50,098

**TABLE 4. Independent Drug Stores—Rented—Financial Structure of Unincorporated Stores by Size and Age of Business, as at December 31, 1952**

Item	Stores with annual net sales of						Total all sizes \$20,000 and over
	\$20,000 to \$49,999			\$50,000 to \$99,999			
	under 10 years	10 years and over	Total	under 10 years	10 years and over	Total	
Assets							
Current assets:							
Cash on hand and in bank .....	1,997	2,794	2,597	3,725	4,161	4,017	11,640
Accounts and notes receivable (net) .....	373	488	460	700	1,097	966	3,559
Merchandise inventory .....	8,051	9,295	8,988	13,422	13,803	13,677	21,217
Other current assets .....	219	2,043	1,593	225	2,866	1,996	1,789
Total current assets .....	10,640	14,620	13,638	18,072	21,927	20,656	38,006
Fixed assets (net):							
Used in the business .....	1,890	1,829	1,844	3,196	2,876	2,981	4,030
Not used in the business .....	—	1,829	1,378	224	3,209	2,225	33
Total fixed assets (net) .....	1,890	3,658	3,222	3,420	6,085	5,206	4,063
Other assets:							
Investments of a permanent nature .....	14	786	596	1,266	472	734	2,044
Intangibles .....	1,237	736	860	1,826	652	1,039	948
Total other assets .....	1,251	1,522	1,456	3,092	1,124	1,773	2,992
Total assets .....	13,781	19,800	18,316	24,584	29,136	27,635	45,061
Liabilities							
Current liabilities — accounts and notes payable .....	5,273	2,709	3,342	5,322	5,916	5,720	11,268
Fixed liabilities — mortgages on fixed assets:							
Used in the business .....	1,322	603	780	705	528	586	514
Not used in the business .....	—	666	502	150	914	662	—
Other liabilities .....	184	268	247	1,193	310	601	634
Total liabilities .....	6,779	4,246	4,871	7,370	7,668	7,569	12,416
Net worth — proprietor's or partners' equity in the business .....	7,002	15,554	13,445	17,214	21,468	20,066	32,645
Total liabilities and net worth .....	13,781	19,800	18,316	24,584	29,136	27,635	45,061
Number of stores reporting .....	19	58	77	30	61	91	187
Average net sales of stores reporting .....	37,755	37,294	37,408	68,106	69,868	69,288	137,353

TABLE 5. Independent Drug Stores — Financial Structure of Incorporated Rented Stores by Size of Business as at December 31, 1952

Item	Stores with annual net sales of			Total all sizes \$20,000 and over
	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and over.	
Assets				
Current assets:				
Cash on hand and in bank .....	2,185	5,467	9,795	6,711
Accounts and notes receivable (net) .....	1,054	2,356	4,785	3,150
Merchandise inventory .....	10,623	20,514	24,622	20,490
Other current assets .....	428	2,048	3,112	2,209
Total current assets .....	14,290	30,385	42,314	32,560
Fixed assets (net):				
Used in the business .....	1,392	2,295	3,091	2,471
Not used in the business .....	—	624	3,804	1,855
Total fixed assets (net) .....	1,392	2,919	6,895	4,326
Other assets:				
Investments of a permanent nature .....	165	707	4,518	2,220
Intangibles .....	275	1,622	4,557	2,622
Total other assets .....	440	2,329	9,075	4,842
Total assets .....	16,122	35,633	58,284	41,728
Liabilities				
Current liabilities — accounts and notes payable .....	5,704	7,132	10,879	8,460
Fixed liabilities — mortgages on fixed assets:				
Used in the business .....	—	218	1,263	621
Not used in the business .....	—	36	2,421	1,037
Other liabilities .....	698	98	405	334
Total liabilities .....	6,402	7,384	14,968	10,452
Net worth:				
Capital stock .....	7,130	14,100	22,643	16,467
Surplus and undivided profits .....	2,590	14,049	20,673	14,809
Total net worth .....	9,720	28,149	43,316	31,276
Total liabilities and net worth .....	16,122	35,633	58,284	41,728
Number of stores reporting .....	8	18	19	45
Average net sales of stores reporting .....	38,298	74,816	131,195	92,129

63-407



CANADA

OPERATING RESULTS AND FINANCIAL STRUCTURE  
INDEPENDENT DRUG STORES  
1954



*Published by Authority of*  
The Right Honourable C. D. Howe, Minister of Trade and Commerce

DOMINION BUREAU OF STATISTICS  
Industry and Merchandising Division  
Merchandising and Services Section

## NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I**—The Primary Industries, including mining, forestry and fisheries; **Volume II**—Manufacturing; **Volume III**—Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

### Part I—Wholesale Statistics

- A—Wholesale Trade, 25¢
- \*B—Operating Results of Food Wholesalers, 25¢
- \*C—Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers, 25¢
- \*D—1 Operating Results of Automotive Parts and Accessories Wholesalers, 25¢
  - 2 Operating Results of Drug Wholesalers, 25¢
  - 3 Operating Results of Hardware Wholesalers, 25¢
  - 4 Operating Results of Plumbing and Heating Supply Wholesalers, 25¢
  - 5 Operating Results of Household Appliance & Electrical Supply Wholesalers, 25¢

### Part II—Retail Statistics

- E—General Review—(Discontinued)
- F—Retail Trade, 50¢
- G—Retail Chain Stores, 50¢
- \*H—Operating Results of Food Store Chains, 25¢
- \*I—Operating Results of Clothing Store Chains, 25¢
- \*J—1 Operating Results of Variety Store Chains, 25¢
  - 2 Operating Results of Drug Stores Chains, 25¢
  - 3 Operating Results of Furniture Store Chains, 25¢
- K—Operating Results of Independent Food Stores, 25¢
- L—Operating Results of Independent Clothing Stores, 25¢
- M—Operating Results of Independent Hardware, Furniture, Appliance and Radio Stores, 25¢
- N—Operating Results of Filling Stations & Garages, 25¢
- O—1 Operating Results of Independent General Stores, 25¢
  - 2 Operating Results of Independent Restaurants, 25¢
  - 3 Operating Results of Independent Fuel Dealers, 25¢
  - 4 Operating Results of Independent Drug Stores, 25¢
  - 5 Operating Results of Independent Jewellery Stores, 25¢
  - 6 Operating Results of Independent Tobacco Stores, 25¢
- P—Retail Consumer Credit, 25¢

### Part III—Services and Special Fields

- Q—Laundries, Cleaners and Dyers, 25¢
- R—Motion Picture Theatres, Exhibitors and Distributors, 25¢
- S—Hotels, 25¢
- T—Sales Financing, 25¢
- U—Farm Implement and Equipment Sales, 25¢
- V—New Motor Vehicle Sales and Motor Vehicle Financing, 25¢
- W—Advertising Agencies (Memorandum), 10¢
- X—Motion Picture Production (Memorandum), 10¢

The reports are punched to permit of filing in a ring binder.

\*Biennial reports—not issued for 1954.



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## DEFINITIONS

### Profit and Loss

**Net Sales** — the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

**Cost of goods sold** — determined by adding the beginning inventory to net purchases and deducting the ending inventory.

**Gross profit** — the difference between "cost of goods sold" and "net sales".

**Operating expenses** — all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

**Salaries and wages (except delivery)** — payments to employees before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" in unincorporated store operations.

**Taxes** — business, property and water taxes. Taxes collected for remittance to governmental bodies and income tax are not included.

**Insurance** — annual proportion of premiums for insurance policies carried to protect the business.

**Rent** — Payments for use of business premises.

**Heat, light and power** — cost applicable to year's operations.

**Delivery** — includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licenses and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.).

**Repairs and maintenance** — costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

**Depreciation allowances** — provision for decrease in the value of fixed store assets.

**Store supplies** — wrapping paper, office supplies, etc.

**Advertising** — displays, window dressing and sales promotion.

**Net bad debt loss** — estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

**Other expenses** — telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

**Net operating profit** — is the difference between "total operating expenses" and "gross profit" and includes proprietors' salaries and withdrawals before income tax deductions.

**Occupancy** — the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

## DEFINITIONS

### Balance Sheet

#### Assets

**Cash on hand or in bank** — the amount of cash in the business at the end of the year.

**Net accounts receivable** — all customers' notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

**Merchandise inventory** — the cost value of merchandise on hand for resale but does not include store supplies on hand.

**Other current assets** — includes assets which may be converted into cash, if necessary within a reasonably short time, such as Dominion of Canada Bonds and prepaid insurance.

**Fixed Assets (net)** — the book value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation. Separate figures are shown for assets used in the business and those not used in the business.

**Other assets** — investments of a permanent nature not readily converted into cash and intangibles such as goodwill and organization costs.

#### Liabilities and Net Worth

**Current liabilities** — obligations which must be paid in the near future and represent accounts payable or any item that may be considered as a direct lien against current assets.

**Fixed liabilities** — mortgages secured by fixed assets and separated, as are fixed assets, between those used and not used in business.

**Other liabilities** — long term notes payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income.

**Net worth** — Unincorporated business — the amount invested in the business together with any accumulated profits after proprietor's or partners' withdrawals.

— Incorporated business — net worth is shown in two parts:

- (1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares, and
- (2) Surplus, which represents distributable surplus, capital surplus and earned surplus.

## DEFINITIONS

### Profit and Loss Statement Ratios

**Stock Turnover** — the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

**Gross Profit Ratio** — sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

**Operating Expense Ratios** — Each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

**Net Operating Profit Ratio** — the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted, in order to determine the percentage to sales of net returns on capital investment.

### Balance Sheet Ratios

**Current Ratio** —  $\text{Current Assets} \div \text{Current Liabilities}$  — indicates to what extent the business is able to meet its current obligations out of "current assets". Care should be taken to examine the components of current assets because overstocking of inventories and overinvestment in credit sales (accounts receivable) can result in a stronger or more favourable ratio.

**Liquidity Ratio** —  $\text{Current Assets less Merchandise Inventory} \div \text{Current Liabilities}$  — sometimes referred to as the "acid test", is similar to the "current ratio" as a test of current credit strength. A ratio of 100% (or 1) is usually considered favourable.

**Working Capital to Net Worth Ratio** — denotes the relationship between "working capital" (current assets less current liabilities) and a proprietor's equity in the business. That is, the proportion of "net worth" that could be realized readily if liquidation were necessary.

**Worth-Debt Ratio** —  $\text{Net Worth} \div \text{Total Liabilities}$  — if used in conjunction with the "current ratio", would reflect any weakening of the capital structure of a business through large loans which give a high "current ratio".

### Interstatement Ratio

**Turnover of Total Capital Employed** —  $\text{Net Sales} \div \text{Total Assets used in the business}$  — provides an indication of the degree of management efficiency. However, this ratio should not be used alone because "profits" and not "sales" are the major criterion of efficiency.



# OPERATING RESULTS AND FINANCIAL STRUCTURE

## INDEPENDENT DRUG STORES

1954

### INTRODUCTION

This report on operating results and financial structure presents information in the form of averages and ratios as a guide to retail store operators for the trade covered here. These ratios are the "average" of a broad range of operational efficiency, and as such do not represent top performance guides. However, used with this in mind, they show a standard by which business men can compare their own operating experiences. The pattern of expense and financial ratios, by size and kind of business, permit direct analysis of operating results for the year.

There is growing evidence that independent retail merchants are making more advantageous use of the results shown in the biennial operating results bulletins issued by the Dominion Bureau of Statistics. Many accounting firms whose clientele includes retail merchants have shown much interest in these series.

A number of trade papers and business periodicals have reproduced and interpreted the results of previous studies with the object of illustrating to retail merchants the manner in which operating results can be used as a tool in store management. This is a practice the Bureau is pleased to encourage, since it meets with one of the most important objects in maintaining this series, namely the promotion of improved merchandising on the part of retailers.

The new owner of a retail store or the prospective operator might well study these averages. Not all failures in business, however, come from the "new-owner" group. It seems reasonable to suppose, however, that failure in many cases is

the result of inadequate knowledge on the part of new proprietors of the true fiscal requirements involved in operating a business and the proper allocation of costs. Where capital is limited, as is often the case in a newly-established store, it would seem that most careful attention should be given to maintenance of proper records and that provision be made to check against some such standard performance as these publications provide.

This report deals with independent retail drug stores. Separate figures are given for both unincorporated and incorporated stores.

There are analyses of:

1. Profit and loss statements
2. Balance sheet statements

Profit and loss data are shown for owned and rented stores separately, and for various sale-size categories.

Balance sheet data, which were introduced in 1948, is continued in this 1954 study. This information is presented by sales-size and kind of occupancy groups for stores with \$20,000 or more annual net sales. Where possible, a further differentiation has been made between businesses in operation less than 10 years and 10 years or more. An important change, introduced in 1950, is the segregation of fixed assets and fixed liabilities between those used in the business and those not used in the business. This makes possible a better relationship between assets used in the business and sales than was possible when all fixed assets of the proprietor were reported as one item.

## INDEPENDENT DRUG STORES

Only establishments selling mainly prescription drugs, patent medicines, drug sundries, cosmetics and toilet articles and preparations, tobacco, books, magazines and other novelties, are covered. Ice cream and soft drinks may be sold but drug stores with soda fountains are not included in this survey.

Unincorporated and incorporated "single establishment" or "independent" firms only are covered. After careful editing, 452 questionnaires were used in the tabulation of profit and loss data of unincorporated stores (207 owned and 245 rented stores). The results of incorporated stores were derived from 110 properly completed questionnaires (20 for owned and 90 for rented stores).

Returns for which balance sheet data were properly completed numbered 384 for unincorporated stores and 103 for incorporated firms. Any change in the actual count from survey to survey may be attributed to changes in store classification, stores going out of business, the necessity of augmenting the survey list or simply to different non-response in the survey years.

Tabulation of balance sheet data was made for different sales-size classes and, where possible, a further breakdown by number of years in business.

Compilation of profit and loss data was made for different sales-size categories. The response from large stores is generally better than that from smaller ones. To obtain proper ratios for total trade, weights of the 1951 census were used. For example in response to this survey, independent stores between \$10,000 and \$19,999 may represent 5% of the business done by all respondents. According to the 1951 census, they might account for approximately 11% of total drug store sales. To obtain

ratios for total all sizes, the census weights were applied to the various expense and profit ratios of the different sales-size classes.

Summaries showing figures for years prior to 1952 and the chart do not show weighted ratios. For sake of comparability with previous years for which weights are not available, aggregate or un-weighted ratios were used.

The average gross profit of unincorporated stores, expressed as a percentage of net sales, increased in 1954 compared with 1952. Operating expenses, however, increased to a greater extent to cause a decline in net operating profit (11.95 per cent in 1952 to 11.59 per cent in 1954). Incorporated stores reported decreased gross profits in 1954 with lesser decreases in expenses. The net profit decline, therefore, was not as severe as was that of gross profit (4.59 per cent in 1952 compared with 3.64 per cent in 1954). Salaries of management charged as operating expenses account for the lower net profit ratio of incorporated compared with unincorporated stores.

Inventories at the end of the year were higher than at the beginning for both forms of organization and both the owned and rented groups.

The rate of stock turnover progressively increased with size of sales, ranging from a low of 1.98 times per year to a high of 4.38 times per year.

Balance sheet ratios are shown historically, affording valuable comparison for further study.

The following summaries, tables and charts, will give more detail and information on the operating results and financial position of independent drug stores for 1954.

Operating Results of Independent Drug Stores 1952 and 1954 Compared

Item	Unincorporated		Incorporated	
	1952	1954	1952 <sup>1</sup>	1954
	(per cent of net sales)			
<b>Gross Profit</b> .....	<b>28.94</b>	<b>29.82</b>	<b>33.42</b>	<b>32.14</b>
Operating expenses:				
Employees' salaries .....	8.68	9.20	18.74	18.53
Occupancy .....	1.32	4.77	5.33	5.16
Store supplies .....	0.59	0.62	0.67	0.64
Advertising .....	0.74	0.83	1.05	1.03
All other expenses .....	2.66	2.81	3.04	3.09
<b>Total operating expenses</b> .....	<b>16.99</b>	<b>18.23</b>	<b>28.83</b>	<b>28.50</b>
<b>Net operating profit before deduction of income tax<sup>2</sup></b> .....	<b>11.95</b>	<b>11.59</b>	<b>4.59</b>	<b>3.64</b>

1. Covers only rented stores.

2. Proprietors' salaries included for unincorporated stores.

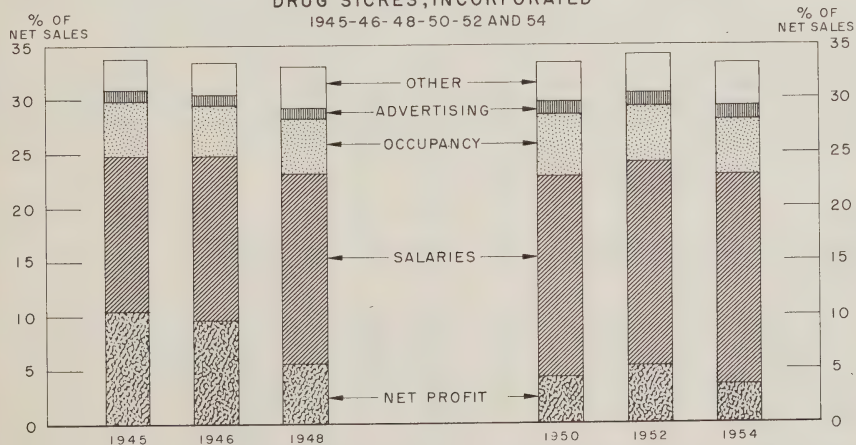
Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stores and are shown here for the first time. They do not agree with ratios shown formerly for 1952 nor with those shown in historical tables.

## Financial Ratios of Independent Drug Stores as at December 31, 1948-50-52-54

Item		Unincorporated		Incorporated	
		Owned	Rented	Owned	Rented
Current ratio .....	1948	2.32	3.63	—	4.05
	1950	4.13	3.87	4.36	3.73
	1952	3.97	3.68	—	3.85
	1954	3.52	4.36	3.93	3.32
Liquidity ratio .....	1952	1.36	1.32	—	1.43
	1954	1.06	1.48	1.46	1.13
Working capital to net worth ratio.....	1948	0.43	0.84	—	0.83
	1950	0.56	0.78	0.66	0.80
	1952	0.58	0.76	—	0.77
	1954	0.53	0.78	0.63	0.78
Worth debt ratio .....	1948	2.38	2.56	—	2.56
	1950	2.94	2.70	2.63	2.38
	1952	3.13	2.68	—	2.99
	1954	3.04	2.91	2.09	2.00
Turnover of total capital employed .....	1952	1.90	2.64	—	2.31
	1954	1.91	2.60	1.49	2.41

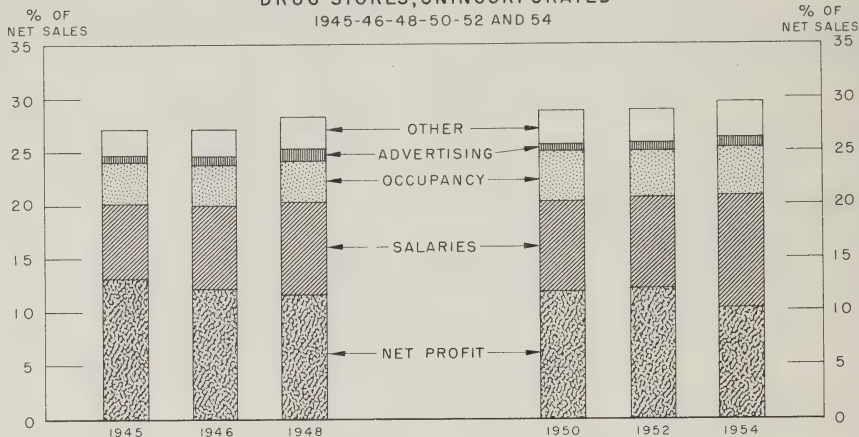
Note: Item definitions are shown on page 6.

COMPOSITION OF AVERAGE GROSS PROFIT  
DRUG STORES, INCORPORATED  
1945-46-48-50-52 AND 54



# COMPOSITION OF AVERAGE GROSS PROFIT DRUG STORES, UNINCORPORATED

1945-46-48-50-52 AND 54



**TABLE 1. Independent Drug Stores — Operating Results of Unincorporated Stores by Annual Sales Volume and Occupancy Basis 1954**

Item	Owned stores with annual net sales of				Rented stores with annual net sales of			
	\$10,000- \$19,999	\$20,000- \$49,999	\$50,000- \$99,999	\$100,000 and over	\$10,000- \$19,999	\$20,000- \$49,999	\$50,000- \$99,999	\$100,000 and over
Number of stores reporting .....	27	83	69	24	14	89	105	34
Average net sales per store .....	\$ 15,487	\$ 33,907	\$ 69,318	\$ 128,609	\$ 15,793	\$ 36,556	\$ 69,855	\$ 130,280
Average beginning inventory .....	\$ 4,984	\$ 8,576	\$ 14,201	\$ 20,653	\$ 5,524	\$ 8,844	\$ 13,199	\$ 22,770
Average inventory, end of year .....	\$ 4,980	\$ 8,745	\$ 14,967	\$ 21,566	\$ 5,510	\$ 9,196	\$ 13,498	\$ 23,852
Average cost of goods sold .....	\$ 11,151	\$ 24,383	\$ 48,743	\$ 92,501	\$ 10,931	\$ 25,437	\$ 48,597	\$ 90,011
Stock turnover (times per year) .....	2.24	2.82	3.34	4.38	1.98	2.82	3.65	3.86
Profit and Loss Data (Per cent of net sales)								
<b>Gross Profit</b> .....	<b>27.99</b>	<b>28.09</b>	<b>29.68</b>	<b>28.07</b>	<b>30.79</b>	<b>30.42</b>	<b>30.29</b>	<b>30.91</b>
<b>Operating expenses:</b>								
Employees' salaries and wages (except delivery) .....	3.90	7.07	10.01	11.10	5.11	7.74	10.22	10.41
Delivery .....	0.73	0.62	0.76	2.02	0.53	0.97	1.27	1.05
<b>Occupancy expenses:</b>								
Taxes .....	1.57	0.91	0.57	0.51	0.74	0.40	0.32	0.23
Insurance .....	0.80	0.69	0.56	0.50	0.44	0.51	0.45	0.38
Rent .....	—	—	—	—	5.00	2.82	2.33	2.23
Heat, light and power .....	1.55	1.03	0.81	0.69	1.04	0.70	0.59	0.44
Repairs and maintenance .....	0.61	1.00	0.66	0.61	0.60	0.50	0.19	0.43
Depreciation allowances .....	0.77	1.00	1.19	1.08	0.27	0.64	0.70	0.56
<b>Total occupancy expenses</b> .....	<b>5.30</b>	<b>4.63</b>	<b>3.89</b>	<b>3.39</b>	<b>8.09</b>	<b>5.57</b>	<b>5.08</b>	<b>4.27</b>
Office and store supplies .....	0.46	0.62	0.68	0.50	0.60	0.60	0.63	0.57
Advertising .....	0.68	0.57	0.93	1.05	0.42	0.81	0.84	0.90
Net loss on bad debts .....	0.10	0.06	0.04	0.05	—	0.05	0.05	0.02
All other expenses .....	1.99	1.52	2.13	1.56	2.13	1.75	1.67	1.24
<b>Total operating expenses</b> .....	<b>13.16</b>	<b>15.09</b>	<b>18.44</b>	<b>19.77</b>	<b>16.88</b>	<b>17.49</b>	<b>19.76</b>	<b>18.46</b>
<b>Net operating profit before deductions of proprietors' salaries and income tax</b> .....	<b>14.83</b>	<b>13.00</b>	<b>11.24</b>	<b>8.30</b>	<b>13.91</b>	<b>12.93</b>	<b>10.53</b>	<b>12.45</b>



TABLE 2. Independent Drug Stores — Operating Results of Incorporated Stores by Annual Sales Volume and Occupancy Basis, 1954

Item	Owned stores with annual net sales of		Rented stores with annual net sales of		
	\$50,000- \$99,999	\$100,000 and over	\$20,000- \$49,999	\$50,000- \$99,999	\$100,000 and over
Number of stores reporting.....	13	7	15	31	41
Average net sales per store..... \$	72,742	128,220	39,390	72,747	159,344
Average beginning inventory..... \$	19,437	25,755	11,396	17,459	28,376
Average inventory, end of year..... \$	20,282	25,784	11,485	18,373	30,175
Average cost of goods sold..... \$	52,007	90,809	26,554	50,285	102,557
Stock turnover (times per year).....	2.62	3.46	2.32	2.81	3.50
Profit and Loss Data (per cent of net sales)					
Gross profit.....	28.50	29.18	32.58	30.87	35.54
Operating expenses:					
Employees' salaries and wages (except delivery).....	18.26	16.13	18.06	18.08	20.39
Delivery.....	0.36	0.59	1.31	0.76	1.55
Occupancy expenses:					
Taxes.....	0.95	0.54	0.33	0.34	0.31
Insurance.....	0.76	0.47	0.63	0.49	0.38
Rent.....	—	—	3.49	2.77	2.92
Heat, light and power.....	1.03	0.57	0.69	0.73	0.43
Repairs and maintenance.....	0.86	0.66	0.54	0.40	0.37
Depreciation allowances.....	1.24	1.21	0.69	0.67	0.84
Total occupancy expenses.....	4.84	3.45	6.37	5.40	5.25
Office or store supplies.....	0.46	0.54	0.57	0.67	0.72
Advertising.....	0.69	0.76	0.83	1.04	1.42
Net loss on bad debts.....	0.23	0.08	0.05	0.14	0.10
All other expenses.....	1.95	2.01	2.35	1.81	2.00
Total operating expenses.....	26.79	23.56	29.54	27.90	31.43
Net operating profit before provision for income tax.....	1.71	5.62	3.04	2.97	4.21

TABLE 3. Independent Drug Stores — Owned — Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1954

Item	Stores with annual net sales of									Total all sizes \$20,000 and over
	\$20,000-\$49,999			\$50,000-\$99,999			\$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
(average per store)										
Assets										
Current assets:										
Cash on hand and in bank .....	1,365	1,732	1,649	3,107	3,942	3,740	5,444	4,229	4,583	2,682
Accounts and notes receivable (net) .....	346	483	452	1,250	991	1,053	327	1,688	1,291	806
Merchandise inventory .....	9,591	8,687	8,892	17,723	14,321	15,146	11,548	25,691	21,566	13,135
Other current assets .....	781	2,448	2,058	137	1,595	1,241	811	5,238	3,947	2,012
Total current assets .....	12,083	13,350	13,061	22,217	20,849	21,180	18,130	36,846	31,387	18,635
Fixed assets (net):										
Used in the business .....	8,790	6,017	6,649	15,410	11,597	12,522	28,404	20,399	22,735	11,226
Not used in the business .....	528	2,077	1,724	318	1,522	1,230	1,887	3,363	2,932	1,703
Total fixed assets (net) .....	9,318	8,094	8,373	15,728	13,119	13,752	30,291	23,762	25,667	12,929
Other assets:										
Long term investments .....	397	2,446	1,979	131	630	509	206	2,384	1,734	1,370
Other assets .....	345	758	664	652	612	622	876	1,377	1,231	723
Total other assets .....	742	3,204	2,643	783	1,242	1,131	1,082	3,741	2,965	2,098
Total assets .....	22,143	24,648	24,077	38,728	35,210	36,063	49,503	64,349	60,019	33,862
Liabilities										
Current liabilities:										
Accounts and notes payable .....	3,200	2,344	2,539	7,157	5,671	6,031	9,148	14,252	12,764	5,355
Fixed liabilities:										
Mortgages on fixed assets used in business .....	1,988	424	780	3,420	1,465	1,039	6,685	1,770	3,203	1,577
Mortgages on fixed assets not used in business .....	—	303	234	—	688	521	575	294	376	366
Total fixed liabilities .....	1,988	727	1,014	3,420	2,153	2,460	7,260	2,064	3,579	1,943
Other liabilities .....	869	248	390	1,984	1,131	1,308	4,740	1,746	2,619	1,076
Total liabilities .....	6,057	3,319	3,943	12,561	8,955	9,829	21,148	18,062	18,962	8,374
Net worth, proprietor's or partners' equity in the business .....	16,086	21,329	20,134	26,167	26,255	26,234	28,355	46,287	41,057	25,488
Total liabilities and net worth .....	22,143	24,648	24,077	38,728	35,210	36,063	49,503	64,349	60,019	33,862
Average net sales of stores reporting .....	32,465	34,470	34,013	75,057	68,309	69,945	109,104	136,640	128,609	61,479
Number of stores reporting .....	18	61	79	16	50	66	7	17	24	169

TABLE 4. Independent Drug Stores — Rented — Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1954

Item	Stores with annual net sales of									Total all sizes \$20,000 and over
	\$20,000-\$49,999			\$50,000-\$99,999			\$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
(average per store)										
Assets										
Current assets:										
Cash on hand and in bank .....	2,709	2,481	2,555	2,818	3,711	3,465	5,121	11,986	9,159	4,014
Accounts and notes receivable (net) .....	552	484	506	1,219	809	922	1,588	3,059	2,453	1,004
Merchandise inventory .....	9,556	8,932	9,135	13,983	13,499	13,632	22,066	25,119	23,862	13,514
Other current assets .....	796	1,823	1,489	244	2,353	1,772	615	5,650	3,577	1,948
Total current assets .....	13,613	13,720	13,685	18,264	20,372	19,791	29,390	45,814	39,051	20,480
Fixed assets (net):										
Used in the business .....	2,560	1,406	1,781	4,204	2,531	2,992	4,572	4,679	4,635	2,784
Not used in the business .....	2,727	1,649	2,000	145	1,278	966	—	3,099	1,823	1,501
Total fixed assets (net) .....	5,287	3,055	3,781	4,349	3,809	3,958	4,572	7,778	6,458	4,285
Other assets:										
Long term investments .....	2,865	1,598	2,010	315	1,078	867	75	1,061	655	1,275
Other assets .....	1,773	407	852	2,789	830	1,370	2,035	187	948	1,103
Total other assets .....	4,638	2,005	2,862	3,104	1,908	2,237	2,110	1,248	1,603	2,378
Total assets .....	23,538	18,780	20,328	25,717	26,089	25,986	36,072	54,840	47,112	27,143
Liabilities										
Current liabilities:										
Accounts and notes payable .....	2,879	2,964	2,937	6,271	4,982	5,337	6,516	7,600	7,154	4,698
Fixed liabilities:										
Mortgages on fixed assets used in business .....	1,614	45	555	2,622	246	900	2,373	511	1,278	827
Mortgages on fixed assets not used in business .....	587	148	291	—	421	305	—	1,542	907	395
Total fixed liabilities .....	2,201	193	846	2,622	667	1,205	2,373	2,053	2,185	1,222
Other liabilities .....	1,601	1,230	1,351	1,219	443	657	1,171	1,303	1,248	1,018
Total liabilities .....	6,681	4,387	5,134	10,112	6,092	7,199	10,060	10,956	10,587	6,938
Net worth: proprietor's or partners' equity in the business .....	16,857	14,393	15,194	15,605	19,997	18,787	26,012	43,884	36,525	20,205
Total liabilities and net worth .....	23,538	18,780	20,328	25,717	26,089	25,986	36,072	54,840	47,112	27,143
Average net sales of stores reporting .....	37,773	36,199	36,711	67,386	71,119	70,090	117,182	139,449	130,280	66,723
Number of stores reporting .....	27	56	83	27	71	98	14	20	34	215

TABLE 5. Independent Drug Stores — Owned — Financial Structure of Incorporated Stores by Size, as at December 31, 1954

Item	Owned stores with annual net sales of		Total all sizes \$20,000 and over
	\$50,000-\$99,999	\$100,000 and over	
	(average per store)		
Assets			
Current assets:			
Cash on hand and in bank .....	4,534	4,381	4,481
Accounts and notes receivable (net) .....	1,900	3,759	2,550
Merchandise inventory .....	20,282	26,784	22,588
Other current assets .....	7,872	2,727	6,071
<b>Total current assets .....</b>	<b>34,588</b>	<b>37,651</b>	<b>35,660</b>
Fixed assets (net):			
Used in the business .....	17,517	29,205	21,607
Not used in the business .....	—	636	223
<b>Total fixed assets (net) .....</b>	<b>17,517</b>	<b>29,841</b>	<b>21,830</b>
Other assets:			
Long term investments .....	2,475	2,474	2,475
Other assets .....	3,344	229	2,254
<b>Total other assets .....</b>	<b>5,819</b>	<b>2,703</b>	<b>4,729</b>
<b>Total assets .....</b>	<b>57,924</b>	<b>70,195</b>	<b>62,219</b>

TABLE 5. Independent Drug Stores — Owned — Financial Structure of Incorporated Stores by Size, as at December 31, 1954 — Concluded

Item	Owned stores with annual net sales of		Total all sizes \$20,000 and over
	\$50,000-\$99,999	\$100,000 and over	
	(average per store)		
Liabilities			
Current liabilities:			
Accounts and notes payable .....	7,869	1 10,968	8,954
Fixed liabilities:			
Mortgages on fixed assets used in business.....	5,365	11,543	7,527
Mortgages on fixed assets not used in business .....	—	—	—
Total fixed liabilities.....	5,365	11,543	7,527
Other liabilities.....	2,635	5,555	3,657
Total liabilities.....	15,869	28,066	20,138
Net worth:			
Capital stock .....	20,378	14,638	18,369
Surplus and undivided profits .....	21,677	27,491	23,712
Total net worth .....	42,055	42,129	42,081
Total liabilities and net worth .....	57,924	70,195	62,219
Average net sales of stores reporting .....	72,742	128,220	92,159
Number of stores reporting.....	13	7	20

TABLE 6. Independent Drug Stores — Rented — Financial Structure of Incorporated Stores by Size and Age of Business, as at December 31, 1954

Item	Rented stores with annual net sales of							Total all sizes \$20,000 and over
	\$20,000-\$49,999	\$50,000-\$99,999			\$100,000 and over			
		Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
(average per store)								
Assets								
Current assets:								
Cash on hand and in bank .....	1,693	3,621	4,189	4,000	5,910	10,095	8,212	5,668
Accounts and notes receivable (net) .....	1,520	1,384	2,947	2,426	4,738	6,064	5,798	3,909
Merchandise inventory .....	11,301	16,877	19,491	18,620	29,807	30,766	30,334	23,110
Other current assets .....	169	2,413	585	1,194	810	6,092	3,715	2,240
Total current assets .....	14,683	24,295	27,212	26,240	41,265	53,617	48,059	34,945
Fixed assets (net):								
Used in the business .....	1,384	3,933	2,568	3,023	6,833	4,119	5,340	3,883
Not used in the business .....	23	—	—	—	3,736	2,144	2,861	1,385
Total fixed assets (net) .....	1,407	3,933	2,568	3,023	10,569	6,263	8,201	5,265
Other assets:								
Long term investments .....	950	2,183	1,199	1,527	5,883	1,199	3,307	2,295
Other assets .....	1,962	2,524	119	921	13,964	3,348	8,125	4,555
Total other assets .....	2,912	4,707	1,318	2,448	19,847	4,547	11,432	6,850
Total assets .....	19,002	32,935	31,098	31,711	71,681	64,427	67,692	47,060
Liabilities								
Current liabilities:								
Accounts and notes payable .....	4,948	6,845	7,280	7,135	14,331	15,272	14,849	10,510
Fixed liabilities:								
Mortgages on fixed assets used in business .....	17	1,051	342	578	2,611	2,564	2,585	1,457
Mortgages on fixed assets not used in business .....	—	762	35	278	—	134	74	136
Total fixed liabilities .....	17	1,813	377	856	2,611	2,698	2,659	1,593
Other liabilities .....	1,705	2,780	1,525	1,943	6,969	4,089	5,385	3,565
Total liabilities .....	6,670	11,438	9,182	9,934	23,911	22,059	22,893	15,668
Net worth:								
Capital stock .....	7,584	14,923	10,752	12,143	25,491	17,412	21,048	15,720
Surplus and undivided profits .....	4,748	6,574	11,164	9,634	22,279	24,956	23,751	15,672
Total net worth .....	12,332	21,497	21,916	21,777	47,770	42,368	44,799	31,392
Total liabilities and net worth .....	19,002	32,935	31,098	31,711	71,681	64,427	67,692	47,060
Average net sales of stores reporting .....	39,813	70,633	74,227	73,029	162,396	158,535	160,272	109,871
Number of stores reporting .....	13	10	20	30	18	22	40	8









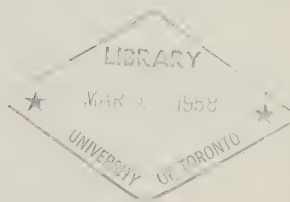
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CANADA

# OPERATING RESULTS AND FINANCIAL STRUCTURE INDEPENDENT DRUG STORES

1956



*Published by Authority of*  
The Honourable Gordon Churchill, Minister of Trade and Commerce

**DOMINION BUREAU OF STATISTICS**  
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## NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** — The Primary Industries, including mining, forestry and fisheries; **Volume II** — Manufacturing; **Volume III** — Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

### Part I — Wholesale Statistics

- A — Wholesale Trade, 25¢
- \*B — Operating Results of Food Wholesalers, 25¢
- \*C — Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers, 25¢
- \*D — 1 Operating Results of Automotive Parts and Accessories Wholesalers, 25¢
  - 2 Operating Results of Drug Wholesalers, 25¢
  - 3 Operating Results of Hardware Wholesalers, 25¢
  - 4 Operating Results of Plumbing and Heating Supply Wholesalers, 25¢
  - 5 Operating Results of Household Appliance & Electrical Supply Wholesalers, 25¢

### Part II — Retail Statistics

- F — Retail Trade, 50¢
- G — Retail Chain Stores, 50¢
- \*H — Operating Results of Food Store Chains, 25¢
- \*I — Operating Results of Clothing Store Chains, 25¢
- \*J — 1 Operating Results of Variety Store Chains, 25¢
  - 2 Operating Results of Drug Store Chains, 25¢
  - 3 Operating Results of Furniture Store Chains, 25¢
- K — Operating Results of Independent Food Stores, 25¢
- L — Operating Results of Independent Clothing Stores, 25¢
- M — Operating Results of Independent Hardware, Furniture, Appliance, Radio and Television Stores, 25¢
- N — Operating Results of Filling Stations and Garages, 25¢
- O — 1 Operating Results of Independent General Stores, 25¢
  - 2 Operating Results of Independent Restaurants, 25¢
  - 3 Operating Results of Independent Fuel Dealers, 25¢
  - 4 Operating Results of Independent Drug Stores, 25¢
  - 5 Operating Results of Independent Jewellery Stores, 25¢
  - 6 Operating Results of Independent Tobacco Stores, 25¢
- P — Retail Credit, 25¢

### Part III — Services and Special Fields

- Q — Laundries, Cleaners and Dyers, 25¢
- R — Motion Picture Theatres, Exhibitors and Distributors, 25¢
- S — Hotels, 25¢
- T — Sales Financing, 25¢
- U — Farm Implement and Equipment Sales, 25¢
- V — New Motor Vehicle Sales and Motor Vehicle Financing, 25¢
- W — Advertising Agencies (Memorandum), 10¢
- X — Motion Picture Production (Memorandum), 10¢

The reports are punched to permit of filing in a ring binder.

\* Biennial reports — not issued for 1956.

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## DEFINITIONS

### Profit and Loss

**Net Sales** — the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

**Purchases** — are taken at invoice value less returns and allowances cash and trade discounts. Added to the cost of merchandise are the following expenses: duty, inward freight, express and trucking, alterations, etc.

**Cost of goods sold** — determined by adding the beginning inventory to net purchases and deducting the ending inventory.

**Gross profit** — the difference between "cost of goods sold" and "net sales".

**Operating expenses** — all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

**Salaries and wages (except delivery)** — payments to employees before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" in unincorporated store operations.

**Delivery** — includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.), and amount paid for contract delivery.

**Taxes** — business, property and water taxes. Taxes collected for remittance to governmental bodies and income tax are not included.

**Insurance** — annual proportion of premiums for insurance policies carried to protect the business.

**Rent** — payments for use of business premises, including rentals of warehouses and garages, etc.

**Heat, light and power** — cost applicable to year's operations.

**Repairs and maintenance** — costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

**Depreciation allowances** — provision for decrease in the value of fixed store assets.

**Office and store supplies** — wrapping paper, office supplies, etc.

**Advertising** — displays, window dressing and sales promotion.

**Net bad debt loss** — estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

**Other expenses** — telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

**Net operating profit** — is the difference between "total operating expenses" and "gross profit" and includes proprietors' salaries and withdrawals before income tax deductions.

**Occupancy** — the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

**Non-trading income** — interest earned, revenues from rentals, other activities, carrying charges and investments.

**Non-trading expenses** — interest expense, rental expense, any other expenses not pertaining to the business.



## DEFINITIONS

### Balance Sheet

#### Assets

**Cash on hand or in bank** — the amount of cash in the business at the end of the year.

**Net accounts receivable** — all customers' notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

**Merchandise inventory** — the cost value of merchandise on hand for resale but does not include store supplies on hand.

**Other current assets** — includes assets which may be converted into cash, if necessary within a reasonably short time, such as Dominion of Canada Bonds and prepaid insurance.

**Fixed assets (net)** — the cost value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation. Separate figures are shown for assets used in the business and those not used in the business.

**Other assets** — investments of a permanent nature not readily converted into cash and intangibles such as goodwill and organization costs.

#### Liabilities and Net Worth

**Current liabilities** — obligations which must be paid in the near future (usually one year) and represent accounts payable or any item that may be considered as a direct lien against current assets.

**Fixed liabilities** — mortgages secured by fixed assets and separated, as are fixed assets, between those used and not used in business.

**Other liabilities** — long term notes payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income.

**Net Worth** — Unincorporated business — the amount invested in the business together with any accumulated profits after proprietor's or partners' withdrawals.

— Incorporated business — net worth is shown in two parts:

- (1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares, and
- (2) Surplus, which represents distributable surplus, capital surplus and earned surplus.

## DEFINITIONS

### Profit and Loss Statement Ratios

**Stock Turnover** — the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

**Gross Profit Ratio** — sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

**Operating Expense Ratios** — Each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

**Net Operating Profit Ratio** — the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted, in order to determine the percentage to sales of net returns on capital investment.

### Balance Sheet Ratios

**Current Ratio** —  $\text{Current Assets} \div \text{Current Liabilities}$  — indicates to what extent the business is able to meet its current obligations out of "current assets". Care should be taken to examine the components of current assets because overstocking of inventories and overinvestment in credit sales (accounts receivable) can result in a stronger or more favourable ratio.

**Liquidity Ratio** —  $\text{Current Assets less Merchandise Inventory} \div \text{Current Liabilities}$  — sometimes referred to as the "acid test", is similar to the "current ratio" as a test of current credit strength. A ratio of 100% (or 1) is usually considered favourable.

**Working Capital to Net Worth Ratio** — denotes the relationship between "working capital" (current assets less current liabilities) and a proprietor's equity in the business. That is, the proportion of "net worth" that could be realized readily if liquidation were necessary.

**Worth-Debt Ratio** —  $\text{Net Worth} \div \text{Total Liabilities}$  — if used in conjunction with the "current ratio", would reflect any weakening of the capital structure of a business through large loans which give a high "current ratio".

### Interstatement Ratio

**Turnover of Total Capital Employed** —  $\text{Net Sales} \div \text{Total Assets used in the business}$  — provides an indication of the degree of management efficiency. However, this ratio should not be used alone because "profits" and not "sales" are the major criterion of efficiency.

# OPERATING RESULTS AND FINANCIAL STRUCTURE INDEPENDENT DRUG STORES, 1956

## INTRODUCTION

This report on operating results and financial structure presents information in the form of averages and ratios as a guide to retail store operators for the trade covered here. These ratios are the "average" of a broad range of operational efficiency, and as such do not represent top performance guides. However, used with this in mind, they show a standard by which business men can compare their own operating experiences. The pattern of expense and financial ratios, by size and kind of business, permit direct analysis of operating results for the year.

There is growing evidence that independent retail merchants are making more advantageous use of the results shown in the biennial operating results bulletins issued by the Dominion Bureau of Statistics. Many accounting firms whose clientele includes retail merchants have shown much interest in these series.

A number of trade papers and business periodicals have reproduced and interpreted the results of previous studies with the object of illustrating to retail merchants the manner in which operating results can be used as a tool in store management. This is a practice the Bureau is pleased to encourage, since it meets with one of the most important objects in maintaining this series, namely the promotion of improved merchandising on the part of retailers.

The new owner of a retail store or the prospective operator might well study these averages. Not all failures in business, however, come from the "new-owner" group. It seems reasonable to suppose, however, that failure in many cases is the result of inadequate knowledge on the part of new proprietors of the true fiscal requirements

involved in operating a business and the proper allocation of costs. Where capital is limited, as is often the case in a newly-established store, it would seem that most careful attention should be given to maintenance of proper records and that provision be made to check against some such standard performance as these publications provide.

This report deals with independent retail drug stores. Separate figures are given for both unincorporated and incorporated stores.

There are analyses of:

1. Profit and loss statements
2. Balance sheet statements

Profit and loss data are shown for owned and rented stores separately, and for various sale-size categories. This 1956 report, for the first time, shows information on "other income" and "other expense". The segregation of these improves the quality of the ratios for net operating profit in that there is little chance of a "net" of these two items being included in operating profit.

Balance sheet data, which were introduced in 1948, is continued in this 1956 study. This information is presented by sales-size and kind of occupancy groups for stores with \$20,000 or more annual net sales. Where possible, a further differentiation has been made between businesses in operation less than 10 years and 10 years or more. An important change, introduced in 1950, is the segregation of fixed assets and fixed liabilities between those used in the business and those not used in the business. This makes possible a better relationship between assets used in the business and sales than was possible when all fixed assets of the proprietor were reported as one item.

## INDEPENDENT DRUG STORES

This survey of independent drug stores includes only retail establishments selling mainly prescription drugs, patent medicines, drug sundries, cosmetics, toilet articles and preparations, tobacco, books and magazines and other novelties. Stores operating a soda fountain were not covered.

Separate tabulations were made of unincorporated and incorporated stores for both profit and loss ratios and balance sheet data. Reports used in this study numbered 520 in the unincorporated group (206 owned and 314 rented stores); the in-

corporated class had 131 respondents (25 owned and 106 rented stores). A slightly smaller number was used in each for the balance sheet tabulations due to the fact that stores in the lowest sales-size classes were not required to furnish balance sheet information. Results are shown by sales-size categories and, where possible, a further breakdown was made in the balance sheet averages by number of years in business.

In compiling trade ratios for the "total, all sizes", the different sales-size ratios were com-

bined by giving each size category its proper "weight" as obtained from the 1951 census. In this survey the reporting is generally better in the larger size stores so that any aggregate of reporting firms would show a ratio biased toward the characteristics of large store operation. The use of weighting gives proper importance to small store operations so that the ratios shown in the summary table below more truly represent the trade total.

Both forms of organization operated on higher gross profit ratios in 1956 than they did in 1954. Slight decreases were registered for total operating expenses for the two groups, thereby adding to the marginal profits to produce higher ratios of net operating profit. Stores operated as proprietorships or partnerships increased their net profit from 11.59 per cent in 1954 to 12.12 per cent this year. Incorporated stores increased their net profit from 3.64 per cent to 4.46 per cent in 1956.

**TABLE 1. Operating Results of Independent Drug Stores 1954 and 1956 Compared**

Item	Unincorporated		Incorporated	
	1954	1956	1954	1956
	(per cent of net sales)			
<b>Gross profit</b> .....	<b>29.82</b>	<b>30.26</b>	<b>32.14</b>	<b>32.76</b>
Operating expenses:				
Employees' salaries .....	9.20	8.62	18.53	18.37
Occupancy .....	4.77	5.19	5.16	5.13
Office and store supplies .....	0.62	0.56	0.64	0.57
Advertising .....	0.83	0.80	1.03	0.93
All other expenses .....	2.81	2.97	3.09	3.25
<b>Total operating expenses</b> .....	<b>18.23</b>	<b>18.14</b>	<b>28.50</b>	<b>28.30</b>
<b>Net operating profit before deduction of income tax<sup>1</sup></b> .....	<b>11.59</b>	<b>12.12</b>	<b>3.64</b>	<b>4.46</b>

1. Proprietors' salaries included for unincorporated stores.

Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stores. They do not agree with ratios shown in historical tables.

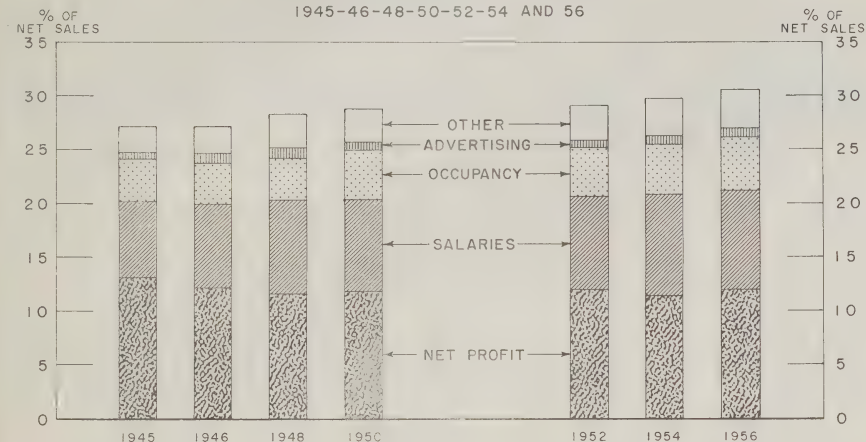
**TABLE 2. Independent Drug Stores — Balance Sheet Ratios as at December 31**

Item		Unincorporated		Incorporated	
		Owned	Rented	Owned	Rented
Current ratio .....	1948	2.32	3.63	—	4.05
	1950	4.13	3.87	4.36	3.73
	1952	3.97	3.69	—	3.85
	1954	3.52	4.36	3.98	3.32
	1956	4.20	3.78	4.04	3.50
Liquidity ratio .....	1952	1.36	1.32	—	1.43
	1954	1.06	1.43	1.46	1.13
	1956	1.47	1.09	1.51	1.18
Working capital to net worth ratio .....	1948	0.43	0.84	—	0.83
	1950	0.56	0.78	0.66	0.80
	1952	0.58	0.76	—	0.77
	1954	0.53	0.78	0.63	0.78
	1956	0.53	0.74	0.63	0.79
Worth debt ratio .....	1948	2.33	2.56	—	2.56
	1950	2.94	2.70	2.63	2.38
	1952	3.13	2.65	—	2.99
	1954	3.04	2.91	2.09	2.00
	1956	3.05	2.17	2.27	2.15
Turnover of total capital employed .....	1952	1.90	2.64	—	2.31
	1954	1.91	2.60	1.49	2.41
	1956	1.76	2.76	1.82	2.52

Note: Item definitions are shown on page 6.

### COMPOSITION OF AVERAGE GROSS PROFIT DRUG STORES, UNINCORPORATED

1945-46-48-50-52-54 AND 56



### COMPOSITION OF AVERAGE GROSS PROFIT DRUG STORES, INCORPORATED

1945-46-48-50-52-54 AND 56

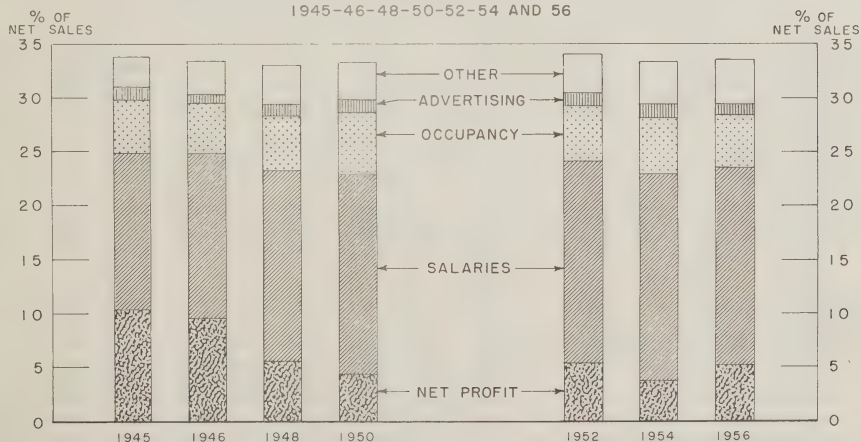




TABLE 3. Independent Drug Stores - Operating Results of Unincorporated Stores by Annual Sales Volume and Occupancy Basis, 1956

Item	Owned stores with annual net sales of				Rented stores with annual net sales of			
	\$10,000- \$19,999	\$20,000- \$49,999	\$50,000- \$99,999	\$100,000- and over	\$10,000- \$19,999	\$20,000- \$49,999	\$50,000- \$99,999	\$100,000- and over
Number of stores reporting .....	27	78	71	27	10	85	174	45
Average net sales per store .....	\$ 15,961	\$ 36,332	\$ 67,380	\$ 130,443	\$ 17,108	\$ 37,375	\$ 70,262	\$ 131,578
Average beginning inventory .....	\$ 4,870	\$ 9,427	\$ 13,362	\$ 19,470	\$ 5,324	\$ 8,038	\$ 13,324	\$ 22,715
Average inventory, end of year .....	\$ 4,936	\$ 9,587	\$ 13,685	\$ 20,725	\$ 5,383	\$ 8,419	\$ 13,977	\$ 24,207
Average cost of goods sold .....	\$ 11,527	\$ 25,933	\$ 47,472	\$ 90,379	\$ 11,697	\$ 26,287	\$ 48,355	\$ 89,734
Stock turnover (times per year) .....	2.35	2.73	3.51	4.50	2.18	3.19	3.54	3.82
Profit and Loss Data (Per cent of net sales)								
<b>Gross profit</b> .....	<b>27.78</b>	<b>28.62</b>	<b>29.55</b>	<b>30.71</b>	<b>31.63</b>	<b>29.67</b>	<b>31.18</b>	<b>31.80</b>
Operating expenses:								
Executives' and employees' salaries and wages, etc. (except delivery) .....	2.21	6.65	9.83	10.47	3.16	6.78	9.53	10.38
Rent .....	0.59	0.93	0.84	1.99	0.93	1.02	1.23	1.44
Occupancy expenses:								
Taxes .....	1.57	0.93	0.74	0.55	0.78	0.44	0.33	0.23
Insurance .....	0.86	0.66	0.54	0.42	0.51	0.50	0.49	0.41
Heat, light and power .....	1.80	1.17	0.91	0.64	1.00	0.83	0.64	0.51
Repairs and maintenance .....	0.79	0.81	0.59	0.65	0.51	0.46	0.53	0.56
Depreciation allowances .....	1.02	1.31	1.49	1.18	0.39	0.84	0.91	0.76
<b>Total occupancy expenses</b> .....	<b>6.04</b>	<b>4.88</b>	<b>4.27</b>	<b>3.44</b>	<b>9.89</b>	<b>6.09</b>	<b>5.51</b>	<b>4.70</b>
Office and store supplies .....	0.43	0.60	0.61	0.77	0.66	0.44	0.56	0.44
Advertising .....	0.43	0.62	0.84	0.97	0.33	0.77	0.85	0.92
Net loss on bad debts .....	0.10	0.08	0.04	0.09	0.12	0.05	0.06	0.09
All other expenses .....	1.83	1.80	1.82	1.51	1.60	1.75	1.85	1.62
<b>Total operating expenses</b> .....	<b>11.63</b>	<b>15.56</b>	<b>18.25</b>	<b>19.24</b>	<b>16.69</b>	<b>16.90</b>	<b>19.61</b>	<b>19.59</b>
<b>Net operating profit</b> .....	<b>16.15</b>	<b>13.06</b>	<b>11.30</b>	<b>11.47</b>	<b>14.94</b>	<b>12.77</b>	<b>11.57</b>	<b>12.21</b>
Non-trading income .....	1.55	1.69	1.02	1.26	0.86	0.56	0.49	0.61
Non-trading expense .....	0.03	0.58	0.13	0.15	—	0.12	0.04	—
<b>Net profit before deduction of proprietors' salaries and income tax</b> .....	<b>17.67</b>	<b>14.17</b>	<b>12.19</b>	<b>12.58</b>	<b>15.80</b>	<b>13.21</b>	<b>12.02</b>	<b>12.82</b>

TABLE 4. Independent Drug Stores - Owned - Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1956

Item	Stores with annual net sales of						\$100,000 and over	Total all sizes \$20,000 and over
	\$20,000 - \$49,999			\$50,000 - \$99,999				
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total		
(Average per store)								
Assets								
Current assets:								
Cash on hand and in bank .....	2,212	2,194	2,199	3,115	3,279	3,235	11,676	4,032
Accounts and notes receivable (net) .....	517	530	527	875	977	949	1,639	863
Merchandise inventory .....	9,305	9,691	9,592	15,427	13,182	13,792	20,415	12,898
Other current assets .....	1,419	2,836	2,472	735	674	691	4,387	2,042
<b>Total current assets</b> .....	<b>13,453</b>	<b>15,251</b>	<b>14,790</b>	<b>20,152</b>	<b>18,112</b>	<b>18,667</b>	<b>38,117</b>	<b>19,835</b>
Fixed assets (net):								
Used in the business .....	10,796	8,167	8,841	19,214	12,514	14,332	23,738	13,276
Not used in the business .....	2,135	1,956	2,002	791	2,017	1,684	2,928	2,013
<b>Total fixed assets (net)</b> .....	<b>12,931</b>	<b>10,123</b>	<b>10,843</b>	<b>20,005</b>	<b>14,531</b>	<b>16,016</b>	<b>26,666</b>	<b>15,289</b>
Other assets:								
Long term investments .....	602	2,963	2,357	168	868	678	4,470	1,997
Other assets .....	246	196	209	583	736	694	1,095	537
<b>Total other assets</b> .....	<b>848</b>	<b>3,159</b>	<b>2,566</b>	<b>751</b>	<b>1,604</b>	<b>1,372</b>	<b>5,565</b>	<b>2,534</b>
<b>Total assets</b> .....	<b>27,232</b>	<b>28,533</b>	<b>28,199</b>	<b>40,908</b>	<b>34,247</b>	<b>36,055</b>	<b>70,348</b>	<b>37,658</b>
Liabilities								
Current liabilities:								
Accounts and notes payable .....	2,421	2,364	2,378	5,852	5,007	5,237	10,372	4,723
Fixed liabilities:								
Mortgages on fixed assets used in business .....	3,100	963	1,510	5,262	1,489	2,513	2,254	2,025
Mortgages on fixed assets not used in business .....	889	60	273	237	—	64	—	148
<b>Total fixed liabilities</b> .....	<b>3,989</b>	<b>1,023</b>	<b>1,783</b>	<b>5,499</b>	<b>1,489</b>	<b>2,577</b>	<b>2,254</b>	<b>2,173</b>
Other liabilities .....	1,240	1,725	1,601	3,347	2,643	2,834	3,655	2,404
<b>Total liabilities</b> .....	<b>7,650</b>	<b>5,112</b>	<b>5,762</b>	<b>14,698</b>	<b>9,139</b>	<b>10,648</b>	<b>16,281</b>	<b>9,300</b>
Net worth: proprietor's or partners' equity in the business .....	19,582	23,421	22,437	26,210	25,108	25,407	54,067	28,358
<b>Total liabilities and net worth</b> .....	<b>27,232</b>	<b>28,533</b>	<b>28,199</b>	<b>40,908</b>	<b>34,247</b>	<b>36,055</b>	<b>70,348</b>	<b>37,658</b>
Average net sales of stores reporting .....	35,086	36,762	36,332	70,316	66,388	67,455	128,157	62,573
Number of stores reporting .....	20	58	78	19	51	70	26	174

TABLE 5. Independent Drug Stores — Rented — Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1956

Item	Stores with annual net sales of									Total all sizes \$20,000 and over
	\$20,000-\$49,999			\$50,000-\$99,999			\$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
(Average per store)										
Assets										
Current assets:										
Cash on hand and in bank .....	1,854	2,616	2,277	2,689	3,970	3,404	6,122	4,387	5,196	3,368
Accounts and notes receivable (net) .....	440	546	499	987	1,319	1,173	1,885	3,577	2,787	1,234
Merchandise inventory .....	7,608	9,346	8,574	13,892	13,798	13,839	22,094	25,118	23,707	13,898
Other current assets .....	114	1,124	675	1,453	862	1,123	467	2,335	1,464	1,053
Total current assets .....	10,016	13,632	12,025	19,021	19,949	19,539	30,568	35,417	33,154	19,553
Fixed assets (net):										
Used in the business .....	2,395	2,219	2,298	3,931	3,123	3,480	5,835	4,680	5,219	3,421
Not used in the business .....	1,289	2,357	1,882	1,666	3,502	2,691	912	6,684	3,990	2,667
Total fixed assets (net) .....	3,684	4,576	4,180	5,597	6,625	6,171	6,747	11,364	9,209	6,088
Other assets:										
Long term investments .....	155	3,018	1,746	767	1,772	1,328	101	3,903	2,129	1,563
Other assets .....	877	674	764	1,720	784	1,198	2,376	461	1,354	1,103
Total other assets .....	1,032	3,692	2,510	2,487	2,556	2,528	2,477	4,364	3,483	2,666
Total assets .....	14,732	21,900	18,715	27,105	29,130	28,236	39,792	51,145	45,846	28,307
Liabilities										
Current liabilities:										
Accounts and notes payable .....	3,537	2,429	2,921	5,447	5,143	5,277	7,076	10,281	8,785	5,167
Fixed liabilities:										
Mortgages on fixed assets used in business .....	853	329	562	735	396	546	840	1,079	968	614
Mortgages on fixed assets not used in business .....	433	258	356	771	1,068	937	107	2,467	1,365	838
Total fixed liabilities .....	1,286	587	898	1,506	1,464	1,483	947	3,546	2,333	1,452
Other liabilities .....	2,232	1,866	2,029	4,118	851	2,295	2,963	2,929	2,945	2,320
Total liabilities .....	7,055	4,882	5,848	11,071	7,458	9,055	10,988	16,756	14,063	8,939
Net worth: proprietor's or partners' equity in the business .....	7,677	17,018	12,867	16,034	21,672	19,181	28,806	34,389	31,783	19,368
Total liabilities and net worth .....	14,732	21,900	18,715	27,105	29,130	28,236	39,792	51,145	45,846	28,307
Average net sales of stores reporting .....	38,479	37,123	37,726	68,339	71,740	70,237	127,072	135,520	131,578	70,663
Number of stores reporting .....	36	45	81	76	96	172	21	24	45	298

TABLE 6. Independent Drug Stores — Operating Results of Incorporated Stores by Annual Sales Volume and Occupancy Basis 1956

Item	Owned stores with annual net sales of		Rented stores with annual net sales of		
	\$50,000-\$99,999	\$100,000 and over	\$29,000-\$49,999	\$50,000-\$99,999	\$100,000 and over
Number of stores reporting .....	13	12	16	38	50
Average net sales per store .....	\$ 77,716	147,224	40,898	74,021	170,554
Average beginning inventory .....	\$ 19,173	23,980	9,506	16,432	30,313
Average inventory, end of year .....	\$ 19,773	26,528	10,873	17,180	32,012
Average cost of goods sold .....	\$ 54,223	101,130	27,538	50,421	110,754
Stock turnover (times per year) .....	2.78	4.00	2.70	3.00	3.55
<b>Profit and Loss Data</b> (Per cent of net sales)					
<b>Gross profit .....</b>	<b>30.23</b>	<b>31.31</b>	<b>32.67</b>	<b>31.88</b>	<b>35.06</b>
<b>Operating expenses:</b>					
Executives' and employees' salaries and wages etc. (except delivery) .....	16.88	17.64	19.54	18.19	18.89
Delivery .....	0.50	0.72	1.21	0.74	1.65
<b>Occupancy expenses:</b>					
Taxes .....	0.71	0.49	0.33	0.34	0.25
Insurance .....	0.56	0.44	0.57	0.46	0.36
Rent .....	0.78	0.60	3.48	3.03	2.81
Heat, light and power .....	0.78	0.60	0.88	0.64	0.44
Repairs and maintenance .....	0.69	0.58	0.45	0.41	0.26
Depreciation allowances .....	1.16	1.11	1.24	0.97	0.70
<b>Total occupancy expenses .....</b>	<b>3.90</b>	<b>3.22</b>	<b>6.95</b>	<b>5.85</b>	<b>4.82</b>
Office and store supplies .....	0.43	0.59	0.57	0.60	0.56
Advertising .....	0.83	0.74	0.72	0.98	1.19
Net loss on bad debts .....	0.07	0.06	0.12	0.05	0.17
All other expenses .....	1.68	1.80	2.14	2.26	2.13
<b>Total operating expenses .....</b>	<b>24.29</b>	<b>24.77</b>	<b>31.25</b>	<b>28.67</b>	<b>29.41</b>
<b>Net operating profit .....</b>	<b>5.94</b>	<b>6.54</b>	<b>1.42</b>	<b>3.21</b>	<b>5.65</b>
Non-trading income .....	1.19	0.92	0.49	0.55	0.51
Non-trading expense .....	0.24	0.92	0.01	0.07	0.03
<b>Net profit before provision for income tax .....</b>	<b>6.89</b>	<b>6.84</b>	<b>1.90</b>	<b>3.69</b>	<b>6.13</b>

**TABLE 7. Independent Drug Stores — Owned — Financial Structure of Incorporated Stores by Size and Age of Business as at December 31, 1956**

Item	Stores with annual net sales of		Total all sizes \$50,000 and over
	\$50,000-\$99,999	\$100,000 and over	
Assets	(Average per store)		
Current assets:			
Cash on hand and in bank .....	6,779	8,684	7,693
Accounts and notes receivable (net) .....	1,805	3,687	2,708
Merchandise inventory .....	19,773	26,528	23,016
Other current assets .....	5,099	1,372	3,310
<b>Total current assets .....</b>	<b>33,456</b>	<b>40,271</b>	<b>36,727</b>
Fixed assets (net):			
Used in the business .....	14,245	25,324	19,563
Not used in the business .....	2,400	2,369	2,385
<b>Total fixed assets (net) .....</b>	<b>16,645</b>	<b>27,693</b>	<b>21,948</b>
Other assets:			
Long term investments .....	990	2,668	1,796
Other assets .....	4,299	1,827	3,112
<b>Total other assets .....</b>	<b>5,289</b>	<b>4,495</b>	<b>4,908</b>
<b>Total assets .....</b>	<b>55,390</b>	<b>72,459</b>	<b>63,583</b>
Liabilities			
Current liabilities:			
Accounts and notes payable .....	7,238	11,101	9,093
Fixed liabilities:			
Mortgages on fixed assets used in business .....	4,322	5,874	5,067
Mortgages on fixed assets not used in business .....	129		67
<b>Total fixed liabilities .....</b>	<b>4,451</b>	<b>5,874</b>	<b>5,134</b>
Other liabilities .....	4,562	5,949	5,227
<b>Total liabilities .....</b>	<b>16,251</b>	<b>22,924</b>	<b>19,454</b>
Net worth:			
Capital stock .....	15,055	14,397	14,739
Surplus and undivided profits .....	24,034	35,138	29,390
<b>Total net worth .....</b>	<b>39,139</b>	<b>49,535</b>	<b>44,129</b>
<b>Total liabilities and net worth .....</b>	<b>55,390</b>	<b>72,459</b>	<b>63,583</b>
Average net sales of stores reporting .....	77,716	147,224	111,080
Number of stores reporting .....	13	12	2

**TABLE 8. Independent Drug Stores — Rented — Financial Structure of Incorporated Stores by Size and Age of Business as at December 31, 1956**

Item	Stores with annual net sales of							Total all sizes \$20,000 and over
	\$20,000-\$49,999	\$50,000-\$99,999			\$100,000 and over			
		Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
Assets	(Average per store)							
Current assets:								
Cash on hand and in bank .....	2,338	2,560	5,511	4,036	7,362	11,494	9,639	6,478
Accounts and notes receivable (net) .....	1,374	1,750	2,177	1,963	4,679	6,326	5,586	3,617
Merchandise inventory .....	11,347	16,830	17,530	17,180	31,307	31,749	31,550	23,226
Other current assets .....	289	652	505	578	410	5,171	3,034	1,715
Total current assets .....	15,348	21,792	25,723	23,757	43,758	54,740	49,809	35,036
Fixed assets (net):								
Used in the business .....	2,669	3,545	3,009	3,277	7,344	4,209	5,616	4,311
Not used in the business .....	—	21	—	11	844	1,732	1,334	645
Total fixed assets (net) .....	2,669	3,566	3,009	3,288	8,188	5,941	6,950	4,956
Other assets:								
Long term investments .....	603	235	1,416	826	4,059	2,501	3,200	1,934
Other assets .....	1,981	2,213	1,441	1,827	13,194	2,978	7,565	4,606
Total other assets .....	2,584	2,448	2,857	2,653	17,253	5,479	10,765	6,540
Total assets .....	20,601	27,806	31,589	29,698	69,199	66,160	67,524	46,532
Liabilities								
Current liabilities:								
Accounts and notes payable .....	4,291	5,448	5,994	5,720	14,601	15,449	15,068	10,001
Fixed liabilities:								
Mortgages on fixed assets used in business .....	—	—	—	—	385	145	253	122
Mortgages on fixed assets not used in business .....	—	—	—	—	—	563	310	149
Total fixed liabilities .....	—	—	—	—	385	708	563	271
Other liabilities .....	2,367	5,890	3,197	4,544	8,181	2,689	5,155	4,517
Total liabilities .....	6,658	11,338	9,191	10,264	23,167	18,846	20,786	14,789
Net worth:								
Capital stock .....	8,381	8,958	11,392	10,176	26,876	11,860	18,601	13,959
Surplus and undivided profits .....	5,562	7,510	11,006	9,258	19,156	35,454	28,137	17,784
Total net worth .....	13,943	16,468	22,398	19,434	46,032	47,314	46,738	31,743
Total liabilities and net worth .....	20,601	27,806	31,589	29,698	69,199	66,160	67,524	46,532
Average net sales of stores reporting .....	42,191	74,809	73,233	74,021	172,278	169,210	170,588	115,730
Number of stores reporting .....	15	19	19	38	22	27	49	102

CATALOGUE No.

63-407

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Canada. Statistics, Bureau of



OPERATING RESULTS AND FINANCIAL STRUCTURE  
INDEPENDENT DRUG STORES  
1959



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*Other occasional reports and 1951 Census reports on retail trade are shown in a complete list of publications of the Dominion Bureau of Statistics which is available on request from the Information Services Division, D.B.S., or from the Queen's Printer, Ottawa.*



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# OPERATING RESULTS AND FINANCIAL STRUCTURE

## INDEPENDENT DRUG STORES

### 1959

#### INTRODUCTION

This report is a continuation of the practice of the Dominion Bureau of Statistics to publish operating results and financial structure for selected trades primarily as a guide for retailers. The averages and ratios that are shown in this report can be used as a standard by which businessmen can compare their own operating experience. The pattern of expense and financial ratios by size and age of business permits direct analysis of operating results for the year. It should be borne in mind, however, that the averages and ratios as published in this report do not represent top performance guides. They are the "average" of a broad range of operational efficiencies.

This survey of independent drug stores covers retail establishments selling mainly prescribed drugs, patent medicines, toilet articles and preparations. Other lines such as tobacco, magazines, novelties etc. are also sold. Stores operating a soda fountain or restaurant in conjunction with the drug store were not included in this study.

Although this report is similar to the previous operating results reports issued for this trade, some slight changes have been made in the presentation and quantity of information in order to increase its value to the user. In Table 1, the historical series of major operating ratios is shown for an increased number of years. It is hoped that this change will enable the users to more readily compare the trends in operating with their own experiences during the years. It should be mentioned that the data in Table 1 as well as the "total" column in Table 3 and Table 6 have been weighted in order to arrive at ratios which are representative of the trade as a whole. Weights are assigned to the ratios in each sales-size category in relation to its position in the sales picture as found in the 1951 Census. Averages and ratios in the tables not indicated as being weighted represent the actual averages and ratios obtained from the reporting panel of firms in each cell.

**Note:** Profit and loss and balance sheet definitions are shown on pages 10 and 11.

**TABLE 1. Operating Results of Independent Drug Stores, 1952-59**

Item	Unincorporated				Incorporated			
	1952	1954	1956	1959	1952	1954	1956	1959
	per cent of net sales							
<b>Gross profit</b> .....	<b>28.94</b>	<b>29.82</b>	<b>30.26</b>	<b>31.58</b>	<b>33.42</b>	<b>32.14</b>	<b>32.76</b>	<b>32.98</b>
Operating expenses:								
Employees' salaries .....	8.68	9.20	8.62	8.84	18.74	18.53	18.37	19.00
Occupancy .....	4.32	4.77	5.19	5.36	5.33	5.16	5.13	5.59
Office and store supplies .....	0.59	0.62	0.56	0.44	0.67	0.64	0.57	0.44
Advertising .....	0.74	0.83	0.80	0.85	1.05	1.08	0.98	1.15
All other expenses .....	2.66	2.81	2.97	3.39	3.04	3.09	3.25	3.68
<b>Total operating expenses</b> .....	<b>16.99</b>	<b>18.23</b>	<b>18.14</b>	<b>18.88</b>	<b>28.83</b>	<b>28.50</b>	<b>28.30</b>	<b>29.86</b>
<b>Net operating profit</b> before income tax and net non-trading income <sup>1</sup> .....	<b>11.95</b>	<b>11.59</b>	<b>12.12</b>	<b>12.70</b>	<b>4.59</b>	<b>3.64</b>	<b>4.46</b>	<b>3.12</b>

<sup>1</sup> Before proprietors' salaries in the case of unincorporated firms.

**Note:** These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stores.

**TABLE 2. Independent Drug Stores—Balance Sheet Ratios as at December 31, 1952-59**

Item	Unincorporated				Incorporated			
	1952	1954	1956	1959	1952	1954	1956	1959
<b>Current ratio—Owned</b> .....	<b>3.97</b>	<b>3.52</b>	<b>4.20</b>	<b>3.97</b>	<b>—</b>	<b>3.98</b>	<b>4.04</b>	<b>2.81</b>
Rented .....	<b>3.68</b>	<b>4.36</b>	<b>3.78</b>	<b>3.44</b>	<b>3.85</b>	<b>3.32</b>	<b>3.50</b>	<b>2.85</b>
<b>Liquidity ratio—Owned</b> .....	<b>1.36</b>	<b>1.06</b>	<b>1.47</b>	<b>1.19</b>	<b>—</b>	<b>1.46</b>	<b>1.51</b>	<b>0.82</b>
Rented .....	<b>1.32</b>	<b>1.48</b>	<b>1.09</b>	<b>1.08</b>	<b>1.43</b>	<b>1.13</b>	<b>1.18</b>	<b>0.91</b>
<b>Working capital to net worth ratio—Owned</b> .....	<b>0.58</b>	<b>0.53</b>	<b>0.53</b>	<b>0.52</b>	<b>—</b>	<b>0.63</b>	<b>0.63</b>	<b>0.48</b>
Rented .....	<b>0.76</b>	<b>0.78</b>	<b>0.74</b>	<b>0.72</b>	<b>0.77</b>	<b>0.78</b>	<b>0.79</b>	<b>0.71</b>
<b>Worth debt ratio—Owned</b> .....	<b>3.13</b>	<b>3.04</b>	<b>3.05</b>	<b>2.86</b>	<b>—</b>	<b>2.09</b>	<b>2.27</b>	<b>1.74</b>
Rented .....	<b>2.68</b>	<b>2.91</b>	<b>2.17</b>	<b>2.04</b>	<b>2.99</b>	<b>2.00</b>	<b>2.15</b>	<b>1.70</b>
<b>Turnover of total capital employed—Owned</b> .....	<b>1.90</b>	<b>1.91</b>	<b>1.76</b>	<b>1.82</b>	<b>—</b>	<b>2.31</b>	<b>1.82</b>	<b>1.80</b>
Rented .....	<b>2.64</b>	<b>2.60</b>	<b>2.76</b>	<b>2.75</b>	<b>2.31</b>	<b>2.41</b>	<b>2.52</b>	<b>2.67</b>

**Note:** See page 10 for definitions.

TABLE 3. Independent Drug Stores - Operating Results of Unincorporated Stores by Annual Sales Volume and Occupancy Basis, 1959

Item	Owned stores with annual net sales of			Rented stores with annual net sales of			Total <sup>1</sup>
	\$20,000-49,999	\$50,000-99,999	\$100,000 and over	\$20,000-49,999	\$50,000-99,999	\$100,000 and over	
Number of stores reporting .....	54	50	26	36	113	54	345
Average net sales per store .....	\$ 36,110	70,182	139,168	38,110	73,049	131,062	69,256
Average beginning inventory .....	\$ 9,723	15,065	24,499	8,859	13,865	24,065	13,967
Average inventory, end of year .....	\$ 10,145	15,645	25,415	9,054	14,678	24,316	14,533
Average cost of goods sold .....	\$ 25,379	48,332	94,656	26,070	49,441	89,408	47,285
Stock turnover (times per year) .....	2.55	3.15	3.79	2.89	3.46	3.66	3.32
<b>Profit and loss data</b> (Per cent of net sales)							
Gross profit .....	29.72	31.13	31.98	31.59	32.32	31.78	31.58
Operating expenses:							
Employees' salaries and wages (except delivery) .....	5.07	9.23	11.68	9.12	9.23	10.44	8.84
Delivery .....	0.62	1.05	1.07	0.93	1.17	1.67	1.06
Occupancy expenses:							
Taxes .....	1.02	0.86	0.61	0.38	0.34	0.27	0.56
Insurance .....	0.78	0.67	0.57	0.46	0.48	0.44	0.55
Rent .....	—	—	—	3.07	2.70	2.07	1.78
Light, heat and power .....	1.22	0.92	0.71	0.69	0.64	0.50	0.78
Repairs and maintenance .....	0.95	0.59	0.58	0.37	0.51	0.47	0.55
Depreciation allowances .....	1.58	1.64	1.55	0.57	1.05	0.98	1.14
Total occupancy expenses .....	5.55	4.68	4.02	5.54	5.72	4.73	5.36
Office and store supplies .....	0.48	0.41	0.61	0.30	0.48	0.50	0.44
Advertising .....	0.69	0.89	1.13	0.65	0.76	1.07	0.85
Net loss on bad debts .....	0.07	0.09	—	0.07	0.05	0.07	0.06
All other expenses .....	2.28	2.30	1.87	2.30	2.37	2.09	2.27
Total operating expenses .....	14.76	18.65	20.38	18.91	19.78	20.57	18.88
Net operating profit .....	14.96	12.48	11.60	12.68	12.54	11.21	12.70
Non-trading income .....	1.73	1.55	0.91	1.04	0.57	0.70	1.03
Non-trading expense .....	0.16	0.12	0.19	0.26	0.18	0.03	0.16
Net profit before deduction of proprietors' salaries and income tax ..	16.53	13.91	12.32	13.46	12.93	11.88	13.57

<sup>1</sup> Averages and ratios "weighted" according to the 1951 Census weights of the sales sizes for independent stores.

TABLE 4. Independent Drug Stores - Owned - Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1959

Item	Stores with annual net sales of					Total all sizes \$20,000 and over
	\$20,000-49,999			\$50,000-99,999	\$100,000 and over	
	Under 10 years	10 years and over	Total			
Assets	average per store (dollars)					
Current assets:						
Cash on hand and in bank .....	1,259	1,871	1,741	4,919	7,486	4,117
Accounts and notes receivable (net) .....	741	426	493	1,225	1,724	1,022
Merchandise inventory .....	12,593	9,136	9,867	15,835	25,773	15,344
Other current assets .....	1,731	1,401	1,471	865	2,543	1,448
Total current assets .....	16,324	12,834	13,572	22,844	37,526	21,931
Fixed assets (net):						
Used in the business .....	11,561	8,279	8,973	14,398	31,893	15,630
Not used in the business .....	87	2,234	1,780	1,622	4,557	2,270
Total fixed assets (net) .....	11,648	10,513	10,753	16,020	36,450	17,900
Other assets:						
Long term investments .....	1,089	2,123	1,904	1,931	3,705	2,272
Other assets .....	107	258	227	586	2,374	792
Total other assets .....	1,196	2,381	2,131	2,517	6,079	3,064
Total assets .....	29,168	25,728	26,456	41,381	80,055	42,895
Liabilities						
Current liabilities:						
Accounts and notes payable .....	3,215	2,670	2,786	4,792	12,672	5,527
Fixed liabilities:						
Mortgages on fixed assets used in the business .....	5,645	781	1,810	1,978	10,105	3,521
Mortgages on fixed assets not used in the business .....	—	185	146	194	1,231	380
Total fixed liabilities .....	5,645	966	1,956	2,172	11,336	3,901
Other liabilities .....	2,419	946	1,258	2,471	1,033	1,685
Total liabilities .....	11,279	4,582	6,000	9,435	23,041	11,113
Net worth: Proprietor's or partners' equity in the business .....	17,889	21,146	20,456	31,946	55,014	31,782
Total liabilities and net worth .....	29,168	25,728	26,456	41,381	80,055	42,895
Average net sales of stores reporting .....	39,007	34,914	35,780	70,323	140,349	69,961
Number of stores reporting .....	11	41	52	49	25	126



TABLE 5. Independent Drug Stores - Rented - Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1959

Item	Stores with annual net sales of							Total all sizes \$20,000 and over
	\$20,000- 49,999	\$50,000-99,999			\$100,000 and over			
		Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
average per store (dollars)								
Assets								
Current assets:								
Cash on hand and in bank .....	2,897	2,902	3,822	3,428	5,365	7,394	6,830	4,301
Accounts and notes receivable (net) .....	570	755	1,113	960	2,687	2,592	2,618	1,363
Merchandise inventory .....	9,439	14,437	14,857	14,677	25,461	23,975	24,388	16,545
Other current assets .....	987	865	1,077	986	529	5,643	4,222	1,901
<b>Total current assets .....</b>	<b>13,893</b>	<b>18,959</b>	<b>20,869</b>	<b>20,051</b>	<b>34,042</b>	<b>39,604</b>	<b>38,058</b>	<b>24,110</b>
Fixed assets (net):								
Used in the business .....	1,758	6,000	3,770	4,725	7,873	5,783	6,364	4,692
Not used in the business .....	3,209	1,158	4,175	2,885	2,274	6,333	5,205	3,594
<b>Total fixed assets (net) .....</b>	<b>4,967</b>	<b>7,158</b>	<b>7,945</b>	<b>7,607</b>	<b>10,147</b>	<b>12,116</b>	<b>11,569</b>	<b>8,286</b>
Other assets:								
Long term investments .....	1,400	735	1,967	1,439	1,373	660	858	1,268
Other assets .....	3,122	1,367	953	1,130	2,853	918	1,456	1,556
<b>Total other assets .....</b>	<b>4,522</b>	<b>2,102</b>	<b>2,920</b>	<b>2,569</b>	<b>4,226</b>	<b>1,578</b>	<b>2,314</b>	<b>2,824</b>
<b>Total assets .....</b>	<b>23,382</b>	<b>28,219</b>	<b>31,734</b>	<b>30,227</b>	<b>48,415</b>	<b>53,298</b>	<b>51,941</b>	<b>35,220</b>
Liabilities								
Current liabilities:								
Accounts and notes payable .....	2,667	6,704	5,598	6,072	10,951	11,565	11,394	7,007
Fixed liabilities:								
Mortgages on fixed assets used in the business .....	393	2,454	675	1,437	4,473	745	1,781	1,359
Mortgages on fixed assets not used in the business .....	756	510	1,512	1,083	466	1,778	1,413	1,122
<b>Total fixed liabilities .....</b>	<b>1,149</b>	<b>2,964</b>	<b>2,187</b>	<b>2,520</b>	<b>4,939</b>	<b>2,523</b>	<b>3,194</b>	<b>2,481</b>
Other liabilities .....	666	1,531	1,275	1,384	8,559	2,696	4,325	2,095
<b>Total liabilities .....</b>	<b>4,482</b>	<b>11,199</b>	<b>9,060</b>	<b>9,976</b>	<b>24,449</b>	<b>16,784</b>	<b>18,913</b>	<b>11,583</b>
Net worth: Proprietor's or partners' equity in the business .....	18,900	17,020	22,674	20,251	23,966	36,514	33,028	23,637
<b>Total liabilities and net worth .....</b>	<b>23,382</b>	<b>28,219</b>	<b>31,734</b>	<b>30,227</b>	<b>48,415</b>	<b>53,298</b>	<b>51,941</b>	<b>35,220</b>
Average net sales of stores reporting .....	38,223	73,229	73,241	73,236	140,490	126,150	130,133	83,456
Number of stores reporting .....	32	45	60	105	15	39	54	191

TABLE 6. Independent Drug Stores - Operating Results of Incorporated Stores by Annual Sales Volume and Occupancy Basis, 1959

Item	Owned stores with annual net sales of		Rented stores with annual net sales of		Total <sup>1</sup>
	\$100,000 and over	\$50,000-99,999	\$100,000 and over	\$50,000-99,999	
Number of stores reporting	13	33	50		107
Average net sales per store	\$ 142,734	76,819	201,754		119,983
Average beginning inventory	\$ 27,732	18,337	32,700		22,927
Average inventory, end of year	\$ 29,445	18,621	35,219		24,116
Average cost of goods sold	\$ 95,596	51,497	134,350		80,189
Stock turnover (times per year)	3.34	2.77	3.96		3.41
<b>Profit and loss data (Per cent of net sales)</b>					
<b>Gross profit</b>	<b>33.03</b>	<b>32.96</b>	<b>33.41</b>		<b>32.98</b>
Operating expenses:					
Executives and employees' salaries and wages, (except delivery)	19.04	18.57	17.36		19.00
Delivery	0.45	0.69	1.78		1.00
Occupancy expenses:					
Taxes	0.79	0.40	0.27		0.64
Insurance	0.42	0.56	0.44		0.51
Rent	—	3.10	2.37		2.25
Light, heat and power	0.75	0.77	0.46		0.71
Repairs and maintenance	0.73	0.40	0.32		0.44
Depreciation allowances	1.88	0.94	0.91		1.04
<b>Total occupancy expenses</b>	<b>4.57</b>	<b>6.17</b>	<b>4.77</b>		<b>5.59</b>
Office and store supplies	0.33	0.40	0.60		0.44
Advertising	0.91	1.07	1.44		1.15
Net loss on bad debts	0.06	0.17	0.08		0.12
All other expenses	2.43	2.25	2.33		2.56
<b>Total operating expenses</b>	<b>27.79</b>	<b>29.32</b>	<b>28.36</b>		<b>29.86</b>
<b>Net operating profit</b>	<b>5.24</b>	<b>3.64</b>	<b>5.05</b>		<b>3.12</b>
Non-trading income	1.84	0.66	0.56		1.06
Non-trading expense	0.58	0.61	0.22		0.38
<b>Net profit before provision for income tax</b>	<b>6.50</b>	<b>3.69</b>	<b>5.39</b>		<b>3.80</b>

<sup>1</sup> Averages and ratios "weighted" according to the 1951 Census weights of the different sales sizes for independent stores.

**TABLE 7. Independent Drug Stores—Owned—Financial Structure of Incorporated Stores  
by Size of Business as at December 31, 1959**

Item	Stores with annual net sales of	Total all sizes \$20,000 and over
	\$100,000 and over	
<b>Assets</b>	average per store (dollars)	
<b>Current assets:</b>		
Cash on hand and in bank .....	5,118	4,684
Accounts and notes receivable (net) .....	4,081	3,191
Merchandise inventory .....	29,445	24,368
Other current assets .....	3,049	2,137
<b>Total current assets .....</b>	<b>41,693</b>	<b>34,380</b>
<b>Fixed assets (net):</b>		
Used in the business .....	32,867	27,770
Not used in the business .....	4,730	3,236
<b>Total fixed assets (net) .....</b>	<b>37,597</b>	<b>31,006</b>
<b>Other assets:</b>		
Long term investments .....	2,402	3,355
Other assets .....	2,589	3,541
<b>Total other assets .....</b>	<b>4,991</b>	<b>6,896</b>
<b>Total assets .....</b>	<b>84,281</b>	<b>72,282</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts and notes payable .....	13,589	12,244
<b>Fixed liabilities:</b>		
Mortgages on fixed assets used in the business .....	7,658	6,899
Mortgages on fixed assets not used in the business .....	7,658	6,899
<b>Total fixed liabilities .....</b>	<b>8,075</b>	<b>7,264</b>
<b>Other liabilities .....</b>	<b>29,322</b>	<b>26,407</b>
<b>Total liabilities .....</b>	<b>15,949</b>	<b>14,781</b>
<b>Net worth: Capital stock .....</b>	<b>39,010</b>	<b>31,094</b>
<b>Surplus and undivided profits .....</b>	<b>54,959</b>	<b>45,875</b>
<b>Total net worth .....</b>	<b>84,281</b>	<b>72,282</b>
<b>Total liabilities and net worth .....</b>	<b>142,734</b>	<b>118,287</b>
Average net sales of stores reporting .....	13	19
Number of stores reporting .....		

**TABLE 8. Independent Drug Stores—Rented—Financial Structure of Incorporated Stores  
by Size and Age of Business as at December 31, 1959**

Item	Stores with annual net sales of						Total all sizes \$20,000 and over
	\$50,000—99,999			\$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
Assets	average per store (dollars)						
Current assets:							
Cash on hand and in bank .....	2,701	5,167	4,396	5,704	8,863	7,638	6,123
Accounts and notes receivable (net) .....	2,754	2,943	2,884	6,797	7,312	7,112	5,291
Merchandise inventory .....	18,747	18,858	18,823	33,749	36,252	35,281	28,110
Other current assets .....	409	1,132	906	1,791	2,738	2,371	1,718
<b>Total current assets .....</b>	<b>24,611</b>	<b>28,100</b>	<b>27,009</b>	<b>48,041</b>	<b>55,165</b>	<b>52,402</b>	<b>41,242</b>
Fixed assets (net):							
Used in the business .....	5,620	3,100	3,888	12,188	9,003	10,238	7,440
Not used in the business .....	408	258	305	—	2,655	1,625	1,052
<b>Total fixed assets (net) .....</b>	<b>6,028</b>	<b>3,358</b>	<b>4,193</b>	<b>12,188</b>	<b>11,658</b>	<b>11,863</b>	<b>8,492</b>
Other assets:							
Long term investments .....	374	1,521	1,163	5,516	3,867	4,507	3,035
Other assets .....	1,706	2,250	2,080	11,160	9,954	10,422	6,935
<b>Total other assets .....</b>	<b>2,080</b>	<b>3,771</b>	<b>3,243</b>	<b>16,676</b>	<b>13,821</b>	<b>14,929</b>	<b>9,970</b>
<b>Total assets .....</b>	<b>32,719</b>	<b>35,229</b>	<b>34,445</b>	<b>76,905</b>	<b>80,644</b>	<b>79,194</b>	<b>59,704</b>
Liabilities							
Current liabilities:							
Accounts and notes payable .....	9,223	6,915	7,636	23,025	17,766	19,805	14,492
Fixed liabilities:							
Mortgages on fixed assets used in the business .....	105	—	33	3,430	610	1,703	1,025
Mortgages on fixed assets not used in the business .....	45	—	14	—	1,233	755	440
<b>Total fixed liabilities .....</b>	<b>150</b>	<b>—</b>	<b>47</b>	<b>3,430</b>	<b>1,843</b>	<b>2,458</b>	<b>1,465</b>
Other liabilities .....	5,234	5,930	5,713	10,110	4,822	6,872	5,183
<b>Total liabilities .....</b>	<b>14,607</b>	<b>12,845</b>	<b>13,396</b>	<b>36,565</b>	<b>24,431</b>	<b>29,135</b>	<b>22,140</b>
Net worth: Capital stock .....	7,166	9,482	8,758	17,891	15,796	16,609	13,261
Surplus and undivided profits .....	10,946	12,902	12,291	22,449	40,417	33,450	24,302
<b>Total net worth .....</b>	<b>18,112</b>	<b>22,384</b>	<b>21,049</b>	<b>40,340</b>	<b>56,213</b>	<b>50,059</b>	<b>37,564</b>
<b>Total liabilities and net worth .....</b>	<b>32,719</b>	<b>35,229</b>	<b>34,445</b>	<b>76,905</b>	<b>80,644</b>	<b>79,194</b>	<b>59,704</b>
Average net sales of stores reporting .....	76,916	77,151	77,078	204,415	201,071	202,368	148,273
Number of stores reporting .....	10	22	32	19	30	49	8

## DEFINITIONS

## PROFIT AND LOSS

## Items

**Net sales** — the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

**Purchases** — are taken at invoice value less returns and allowances, cash and trade discounts. Added to the cost of merchandise are the following expenses: duty, inward freight, express and trucking, alterations, etc.

**Cost of goods sold** — determined by adding the beginning inventory to net purchases and deducting the ending inventory.

**Gross profit** — the difference between "cost of goods sold" and "net sales".

**Operating expenses** — all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

**Salaries and wages** (except delivery) — payments to employees before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" in unincorporated store operations.

**Delivery** — includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.)

**Taxes** — business, property and water taxes. Taxes collected for remittance to governmental bodies and income tax are not included.

**Insurance** — annual proportion of premiums for insurance policies carried to protect the business.

**Rent** — payments for use of business premises.

**Heat, light and power** — cost applicable to year's operations.

**Repairs and maintenance** — costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

**Store supplies** — wrapping paper, office supplies, etc.

**Advertising** — displays, window dressing and sales promotion.

**Net bad debt loss** — estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

**Other expenses** — telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

**Net operating profit** — is the difference between "total operating expenses" and "gross profit" and includes proprietors' salaries and withdrawals before income tax deductions.

**Occupancy** — the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

**Non-trading income** — interest earned, revenues from rentals, other activities, carrying charges and investments.

**Non-trading expense** — interest expense, rental expense, any other expenses not pertaining to the business.

## Ratios

**Stock turnover** — the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

**Gross profit ratio** — sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

**Operating expense ratios** — each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

**Net operating profit ratio** — the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted, in order to determine the percentage to sales of net returns on capital investment.

## BALANCE SHEET

## Asset Items

**Cash on hand or in bank** — the amount of cash in the business at the end of the year.

**Net accounts receivable** — all customers' notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

**Merchandise inventory** — the cost value of merchandise on hand for resale but does not include store supplies on hand.

**Other current assets** — includes assets which may be converted into cash, if necessary within a reasonably short time, such as Dominion of Canada Bonds and prepaid insurance.

**Fixed assets (net)** — the cost value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation. Separate figures are shown for assets used in the business and those not used in the business.

**Other assets** — investments of a permanent nature not readily converted into cash and intangibles such as goodwill and organization costs.

**Liabilities and Net Worth Items**

**Current liabilities** — obligations which must be paid in the near future (usually one year) and represent accounts payable or any item that may be considered as a direct lien against current assets.

**Fixed liabilities** — mortgages secured by fixed assets and separated, as are fixed assets, between those used and not used in business.

**Other liabilities** — long term notes payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income.

**Net worth** — Unincorporated business — the amount invested in the business together with any accumulated profits after proprietor's or partners' withdrawals.

— Incorporated business — net worth is shown in two parts:

- (1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares, and
- (2) Surplus, which represents distributable surplus, capital surplus and earned surplus.

**Ratios**

**Current ratio** —  $\text{Current Assets} \div \text{Current Liabilities}$  — indicates to what extent the business is able to meet its current obligations out of "current assets". Care should be taken to

examine the components of current assets because overstocking of inventories and overinvestment in credit sales (accounts receivable) can result in a stronger or more favourable ratio.

**Liquidity ratio** —  $\text{Current Assets less Merchandise Inventory} \div \text{Current Liabilities}$  — sometimes referred to as the "acid test", is similar to the "current ratio" as a test of current credit strength. A ratio of 100% (or 1) is usually considered favourable.

**Working capital to net worth ratio** — denotes the relationship between "working capital" (current assets less current liabilities) and a proprietor's equity in the business. That is, the proportion of "net worth" that could be realized readily if liquidation were necessary.

**Worth-debt ratio** —  $\text{Net Worth} \div \text{Total Liabilities}$  — if used in conjunction with the "current ratio", would reflect any weakening of the capital structure of a business through large loans which give a high "current ratio".

**Interstatement Ratio**

**Turnover of total capital employed** —  $\text{Net Sales} \div \text{Total Assets}$  used in the business — provides an indication of the degree of management efficiency. However, this ratio should not be used alone because "profits" and not "sales" are the major criterion of efficiency.



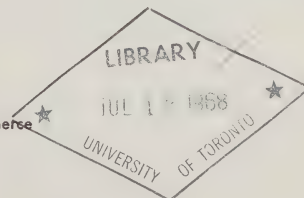




DRUG STORES (Independent)  
OPERATING RESULTS  
1965

The last issue of this report, formerly known as Operating Results and Financial Structure of Independent Drug Stores was for 1959. Previously Biennial, it is now Triennial.

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# DRUG STORES

(Independent)

## OPERATING RESULTS

1965

### INTRODUCTION

This report is the first of its kind since 1959. During the 1961 Census of Merchandising and Service Establishments, data were collected on gross profit ratios for retail trades and these are published in Table 20, Volume VI, Part 1, of the Census of Canada, 1961; the small bulletin containing Table 20 bears Catalogue No. 97-505. These publications are obtainable from the Queen's Printer, Ottawa.

It is the intention to survey drug stores (independent) reported on by the present bulletin every three years.

This report deals with profit and loss statistics, presented mainly in the form of percentage of net sales. Results are shown for sales-size groups in some instances. Balance sheet data are not presented.

The primary purpose of the operating results survey is to provide averages or ratios on the different phases of business operation against which firms in the same trade may make direct comparisons

with their own results. They also provide useful information to others interested in the cost of distribution of consumer goods.

Stores included in this classification are those selling mainly prescription drugs, patent medicines, drug sundries, cosmetics and toilet articles and preparations; tobacco, books, magazines and novelties may also be sold. Soft drinks and ice cream may be handled from a box cooler but the respondents to this survey did not operate soda fountains or lunch counters.

It should be mentioned that the data in Table 1 as well as the "total" column in Table 2 and Table 3 have been weighted in order to arrive at ratios which are representative of the trade as a whole. Weights are assigned to the ratios in each sales-size category according to its magnitude relative to total sales of the 1961 Census. Averages and ratios in the tables not indicated as being weighted represent the actual averages and ratios obtained from the reporting panel of firms in each cell.

### DRUG STORES (INDEPENDENT)

Financial data of 420 unincorporated businesses and 259 incorporated companies are included in this report. The gross profit for independent, unincorporated businesses was 32.68 per cent of net sales in 1965 compared with 31.58 per cent in 1959. It is of some interest to note that the gross profit as a percentage of net sales for drug stores revealed by the 1961 Census of Merchandising was 32.3 per cent. Gross profit ranged from 29.3 per cent in the case of Newfoundland to 33.8 per cent for British Columbia. The Census statistics pertain to all stores of this kind, independent as well as chain, and incorporated companies as well as unincorporated businesses. Salaries and wages, in 1965, for independent unincorporated drug stores excluding the pay for delivery employees, were 9.47 per cent of net sales compared with 8.84 per cent in 1959. Delivery expense was 2.11 per cent (1.06 per cent in 1959), occupancy expenses 5.36 per cent (5.36 per cent), office and store supplies 0.45 per cent (0.44 per cent) and all other expenses were 3.24 per cent (3.18 per cent), making total operating expenses 20.63 per cent in 1965 as against 18.88 per cent of net sales in 1959. Net operating profit, before deduction of proprietors' salaries, withdrawals and income tax and addition of net non-trading income,

was 12.05 per cent (12.70 per cent). Taking account of non-trading income and expense, net profit was 12.75 per cent of net sales compared with 13.57 per cent in 1959. In the detailed tables, there is a distinction made between stores with owned premises and stores with rented premises.

In the incorporated sector of the trade, for all companies the gross profit was 34.57 per cent of net sales compared with 32.98 per cent in 1959. Salaries and wages, excluding the pay for delivery employees were 17.84 per cent (19.00 per cent in 1959), delivery expense 1.66 per cent (1.00 per cent), occupancy expenses 5.29 per cent (5.59 per cent), office and store supplies 0.50 per cent (0.44 per cent), and all other expenses were 3.91 per cent (3.83 per cent) making total operating expenses 29.20 per cent of net sales in 1965 compared with 29.86 per cent in 1959. Net operating profit, before adding net non-trading income and before making allowance for income tax, was 5.37 per cent (3.12 per cent in 1959). Taking account of non-trading income and expense, net profit was 6.43 per cent as against 3.80 per cent in 1959. In the detailed tables, there is a distinction made between companies with owned and companies with rented premises.

**TABLE 1. Operating Results of Independent Drug Stores 1952 - 65**

Item	Unincorporated				
	1952	1954	1956	1959	1965
	percentage of net sales				
<b>Gross profit</b> .....	<b>28.94</b>	<b>29.82</b>	<b>30.26</b>	<b>31.58</b>	<b>32.68</b>
Operating expenses:					
Employees' salaries and wages (except delivery) ..	8.68	9.20	8.62	8.84	9.47
Occupancy.....	4.32	4.77	5.19	5.36	5.36
Office and store supplies.....	0.59	0.62	0.56	0.44	0.45
Advertising.....	0.74	0.83	0.80	0.85	0.80
All other expenses.....	2.66	2.81	2.97	3.39	4.55
<b>Total operating expenses</b> .....	<b>16.99</b>	<b>18.23</b>	<b>18.14</b>	<b>18.88</b>	<b>20.63</b>
<b>Net operating profit</b> before income tax and net non-trading income <sup>1</sup> .....	<b>11.95</b>	<b>11.59</b>	<b>12.12</b>	<b>12.70</b>	<b>12.05</b>
	Incorporated				
	1952	1954	1956	1959	1965
	percentage of net sales				
<b>Gross profit</b> .....	<b>33.42</b>	<b>32.14</b>	<b>32.76</b>	<b>32.98</b>	<b>34.57</b>
Operating expenses:					
Employees' salaries and wages (except delivery) ..	18.74	18.53	18.37	19.00	17.84
Occupancy .....	5.33	5.16	5.13	5.59	5.29
Office and store supplies.....	0.67	0.64	0.57	0.44	0.50
Advertising.....	1.05	1.08	0.98	1.15	1.06
All other expenses .....	3.04	3.09	3.25	3.68	4.51
<b>Total operating expenses</b> .....	<b>28.83</b>	<b>28.50</b>	<b>28.30</b>	<b>29.86</b>	<b>29.20</b>
<b>Net operating profit</b> before income tax and net non-trading income .....	<b>4.59</b>	<b>3.64</b>	<b>4.46</b>	<b>3.12</b>	<b>5.37</b>

<sup>1</sup> Before proprietors' salaries in the case of unincorporated firms.

Note: These ratio's from 1952 to 1959 are "weighted" according to 1951 Census weights and for 1965 these are based on 1961 Census.

TABLE 2. Drug Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy  
(Unincorporated Businesses), 1965

Item	Owned stores with annual net sales of					
	\$20,000- 29,999	\$30,000- 49,999	\$50,000- 99,999	\$100,000- 199,999	\$200,000- 499,999	Total
Number of businesses reporting.....	6	25	73	45	3	152
Average net sales per firm.....	25,721	40,608	73,808	136,422	224,320	96,031
Average beginning inventory.....	7,651	11,361	15,373	23,233	26,226	17,730
Average inventory, end of year.....	7,848	11,283	16,131	25,052	28,908	18,806
Average cost of goods sold.....	18,944	26,916	50,161	91,482	139,248	64,161
Stock turnover (times per year).....	2.44	2.38	3.18	3.79	5.05	3.35
<b>Profit and loss data</b> (Per cent of net sales)						
Gross profit.....	26.35	33.72	32.04	32.94	37.93	32.67
Operating expenses:						
Employees' salaries and wages (except delivery).....	2.67	4.74	8.70	10.83	13.48	8.94
Delivery expenses (including salaries and wages).....	0.16	1.60	1.54	2.35	3.17	1.85
Occupancy expenses:						
Taxes.....	1.58	1.36	0.87	0.78	1.23	0.95
Insurance.....	0.68	0.77	0.69	0.54	0.61	0.64
Rent.....	—	—	—	—	—	—
Heat, light and power.....	1.61	1.24	0.86	0.75	0.88	0.90
Repairs and maintenance.....	0.40	0.96	0.62	0.49	0.96	0.63
Depreciation allowances.....	1.19	1.38	1.32	1.41	3.42	1.45
Total occupancy expenses.....	5.46	5.71	4.36	3.97	7.10	4.57
Office and store supplies.....	0.28	0.43	0.45	0.58	0.72	0.50
Advertising.....	0.56	0.53	0.83	0.78	1.75	0.81
Net loss on bad debts.....	0.04	0.07	0.13	0.18	0.13	0.13
All other expenses.....	2.06	3.23	3.04	2.47	2.76	2.84
Total operating expenses.....	11.23	16.31	19.05	21.16	28.98	19.64
Net operating profit.....	15.12	17.41	12.99	11.78	8.95	13.03
Non-trading income.....	0.31	0.70	1.48	1.09	3.15	1.30
Non-trading expense.....	0.08	0.04	0.22	0.21	—	0.18
Net profit before deduction of proprietors' salaries and income tax.....	15.35	18.07	14.25	12.66	12.10	14.15
<b>Profit and loss data</b> (Per cent of net sales)						
Rented stores with annual net sales of						Total owned and rented
	\$30,000- 49,999	\$50,000- 99,999	\$100,000- 199,999	\$200,000- 499,999	\$500,000- 999,999	
Number of businesses reporting.....	22	114	104	25	3	268
Average net sales per firm.....	40,031	73,600	135,789	284,915	687,554	111,240
Average beginning inventory.....	10,490	14,613	23,647	39,269	94,888	19,604
Average inventory, end of year.....	10,384	15,415	25,196	42,883	92,522	20,798
Average cost of goods sold.....	27,612	48,757	92,320	198,236	439,102	75,296
Stock turnover (times per year).....	2.65	3.25	3.78	4.83	4.69	3.51
<b>Profit and loss data</b> (Per cent of net sales)						
Gross profit.....	31.02	33.75	32.01	30.42	36.13	32.68
Operating expenses:						
Employees' salaries and wages (except delivery).....	6.00	9.73	10.38	10.87	15.08	9.74
Delivery expenses (including salaries and wages).....	1.76	2.18	2.42	2.30	4.07	2.24
Occupancy expenses:						
Taxes.....	0.68	0.40	0.30	0.34	0.57	0.39
Insurance.....	0.64	0.54	0.57	0.47	0.84	0.55
Rent.....	3.75	2.86	2.48	4.56	2.45	2.85
Heat, light and power.....	0.92	0.60	0.56	0.48	0.68	0.60
Repairs and maintenance.....	0.35	0.46	0.54	0.49	0.86	0.48
Depreciation allowances.....	0.36	0.91	1.06	0.83	1.00	0.91
Total occupancy expenses.....	6.70	5.77	5.51	5.82	8.51	5.78
Office and store supplies.....	0.33	0.46	0.43	0.28	0.26	0.42
Advertising.....	0.57	0.79	0.88	0.76	1.70	0.80
Net loss on bad debts.....	0.04	0.06	0.05	0.03	0.05	0.08
All other expenses.....	1.84	2.10	2.24	1.80	2.37	2.11
Total operating expenses.....	17.24	21.09	21.91	21.86	31.99	21.14
Net operating profit.....	13.78	12.66	10.10	8.56	4.14	12.05
Non-trading income.....	0.69	0.60	0.50	0.80	0.96	0.59
Non-trading expense.....	0.34	0.12	0.04	0.12	—	0.11
Net profit before deduction of proprietors' salaries and income tax.....	14.13	13.14	10.56	9.24	5.10	12.05



TABLE 3. Drug Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy  
(Incorporated Companies), 1965

Item	Owned stores with annual net sales of				Total	
	\$30,000- 99,999	\$100,000- 199,999	\$200,000- 499,999			
Number of businesses reporting.....	8	16	3		27	
Average net sales per firm.....	64,892	130,797	266,859		146,552	
Average beginning inventory.....	15,455	26,553	79,001		36,489	
Average inventory, end of year.....	15,661	26,835	80,067		36,944	
Average cost of goods sold.....	42,962	84,372	173,358		95,133	
Stock turnover (times per year).....	2.76	3.16	2.18		2.81	
<b>Profit and loss data</b> (Per cent of net sales)						
Gross profit.....	33.79	35.49	35.04		34.92	
Operating expenses:						
Employees' salaries and wages (except delivery).....	19.11	18.71	15.77		18.09	
Delivery expenses (including salaries and wages).....	1.38	0.76	0.22		0.79	
Occupancy expenses:						
Taxes.....	0.79	0.98	0.72		0.86	
Insurance.....	0.50	0.49	0.37		0.46	
Rent.....	0.79	0.97	0.53		0.82	
Heat, light and power.....	0.38	0.53	0.12		0.39	
Repairs and maintenance.....	1.61	2.04	0.88		1.65	
Depreciation allowances.....	4.07	5.01	2.62		4.16	
Office and store supplies.....	0.53	0.41	0.26		0.41	
Advertising.....	0.48	0.94	1.69		1.00	
Net loss on bad debts.....	0.13	0.17	0.31		0.19	
All other expenses.....	2.26	4.33	3.65		3.60	
Total operating expenses.....	27.96	30.33	24.52		28.26	
Net operating profit.....	5.83	5.16	10.52		6.66	
Non-trading income.....	1.38	2.37	—		1.52	
Non-trading expense.....	—	0.23	0.02		0.12	
Net profit before provision for income tax.....	7.21	7.30	10.50		8.06	
<b>Rented stores with annual net sales of</b>						
	\$30,000- 49,999	\$50,000- 99,999	\$100,000- 199,999	\$200,000- 499,999	\$500,000- 999,999	Total owned and rented
Number of businesses reporting.....	4	49	117	57	5	232
Average net sales per firm.....	38,367	74,858	138,112	286,756	614,975	163,194
Average beginning inventory.....	8,762	19,698	29,129	48,243	103,662	32,122
Average inventory, end of year.....	10,293	19,393	29,529	50,800	97,651	32,774
Average cost of goods sold.....	24,461	49,060	90,605	187,955	394,309	106,853
Stock turnover (times per year).....	2.57	2.51	3.09	3.80	3.92	2.98
<b>Profit and loss data</b> (Per cent of net sales)						
Gross profit.....	36.25	34.46	34.40	34.45	35.88	34.48
Operating expenses:						
Employees' salaries and wages (except delivery).....	20.99	18.10	17.27	18.18	19.11	17.77
Delivery expenses (including salaries and wages).....	1.40	2.05	1.92	1.74	1.91	1.90
Occupancy expenses:						
Taxes.....	0.71	0.41	0.36	0.37	0.49	0.38
Insurance.....	0.63	0.55	0.38	0.31	0.49	0.41
Rent.....	5.47	3.78	2.60	2.91	3.13	3.00
Heat, light and power.....	0.63	0.73	0.57	0.52	0.49	0.60
Repairs and maintenance.....	0.45	0.34	0.30	0.33	0.30	0.32
Depreciation allowances.....	1.48	0.76	0.94	0.90	0.48	0.89
Total occupancy expenses.....	9.37	6.57	5.13	5.34	5.38	5.29
Office and store supplies.....	0.35	0.58	0.50	0.55	0.42	0.53
Advertising.....	0.19	1.18	1.02	1.20	0.91	1.08
Net loss on bad debts.....	0.31	0.11	0.12	0.09	0.08	0.11
All other expenses.....	2.81	2.92	2.32	2.36	3.04	2.72
Total operating expenses.....	35.42	31.51	28.30	29.46	30.91	29.47
Net operating profit.....	0.83	2.95	6.10	4.99	4.97	5.01
Non-trading income.....	4.04	1.56	1.06	0.97	0.48	1.20
Non-trading expense.....	—	0.45	0.14	0.27	0.03	0.24
Net profit before provision for income tax.....	4.87	4.06	7.02	5.69	5.42	5.97

## DEFINITIONS

### Profit and Loss

**Net sales** — the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn for personal use are included.

**Purchases** — are taken at invoice value less returns and allowances, cash and trade discounts. Added to the cost of merchandise are the following expenses: duty, inward freight, express and trucking, alterations, and transportation costs from warehouse to stores.

**Cost of goods sold** — determined by adding the beginning inventory to net purchases and deducting the ending inventory.

**Gross profit** — the difference between "cost of goods sold" and "net sales".

**Operating expenses** — all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

**Salaries and wages, commissions and bonuses (except delivery)** — payments to employees before deduction of income tax or unemployment insurance, etc. Included are salaries paid to executives of incorporated firms. Proprietors' salaries or withdrawals are included in "net operating profit" for unincorporated store operations.

**Employees' benefits** — contributions made towards employees' pensions, unemployment insurance, hospitalization and other staff benefits. (Excludes employees' own contributions.)

**Occupancy** — the cost of maintaining and occupying a place of business and includes property taxes, insurance, heat, light and power, repairs and maintenance, depreciation, mortgage interest on owned real estate and rental expense on rented premises.

**Taxes and licences** — excluding property taxes.

**Insurance** — premiums for insurance policies carried to protect the business, covering furniture and fixtures and inventories but excluding real estate insurance and insurance on delivery equipment.

**Repairs and maintenance** — costs incurred to keep fixtures and equipment operating efficiently. (Excludes capital expenditure and delivery.)

**Depreciation** — allowances on fixtures and equipment (except delivery).

**Supplies** — wrapping paper, twine, store and office supplies, etc.

**Advertising** — displays, window dressing and sales promotion.

**Travelling** — all travelling expense including buying.

**Communication** — telephone, telegraph and postage.

**Delivery** — salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.), all other costs from stores to customers including amounts paid for contract delivery.

**Bad debt loss** — amount written off or reserve provided for during the current year.

**All other operating expenses** — bank charges, legal, auditing and collection fees, etc.

**Non-trading income** — interest earned, net revenues from rentals, financial charges, delivery charges made to customers and bad debts recovered, revenues from investments and other non-trading activities.

**Non-trading expense** — interest expense and any other expenses not pertaining to the business.











